THE NEW LEADERSHIP IN INDUSTRY

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The New Leadership in Industry is a sane book which delves to the source of industrial troubles.

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THE NEW LEADERSHIP IN INDUSTRY

BY

SAM A. LEWISOHN

Vice-President, Miami Copper Company
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TO

MARGARET LEWISOHN

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PREFACE

What I have aimed to do in this volume is to suggest some new points of emphasis in the labor problem. I have not attempted an exhaustive or even a symmetrical discussion of any one phase of the subject. This I must leave to those who can devote more intensive study to its various aspects. The first essential in considering any problem, particularly in our complex modern life, is to throw things into their proper perspective. Therefore, the suggestion of a slightly different angle of approach may prove useful.

Parts of several chapters are based upon articles that have appeared in *The Atlantic Monthly,* the *Political Science Quarterly,* and *The Annals* of The American Academy of Political Science, to which thanks are due for allowing the material to be used in this revised form. For their invaluable comments and suggestions, I desire to express my deep appreciation to Prof. Samuel McCune Lindsay, Prof. Herman Feldman, Dr. Elisha M. Friedman, Mr. Ernest G. Draper, Dr. A. A. Brill, Prof. Herbert Feis and Mr. W. J. Donald.

S.A.L.

June, 1926.

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THE NEW LEADERSHIP
IN INDUSTRY

THE NEW LEADERSHIP IN INDUSTRY

CHAPTER I

THE FOOTBALL OF OUR EMOTIONS

The Industrial Melodrama

We often hear the phrase that some particular issue has become the "football of politics." In a similar sense, the relations between employers and employees have been the football of our emotions. The history of past struggles between two groups varying so greatly in economic circumstances, the hard-fought battles of the exploited, have given the problem a peculiarly romantic flavor. Prominent social workers tell of being besieged by young people with vague aspirations to devote themselves to some phase of the labor movement.

They are not alone in their emotional interest. We all dearly love a drama, and most of all, a melodrama. The villain in the case is easy to supply. He is the absentee landlord, or it may be the "lazy workman," depending on our own

status. And so to the man on the street, and not infrequently even to the economist, the epic, martial appeal of the labor problem is strong. It is seen simply as a battle between the rich and the poor, the privileged and the under-dog.

The labor problem is not unlike a baseball game or prize-fight, in providing a means of expressing by proxy one's repressed impulses. In this manner, it offers a ready-made, symbolic outlet for projecting feelings of inferiority or aggressiveness. What is so convenient as to have some issue or class to serve as the "whipping boy" Mark Twain tells us about in *The Prince and the Pauper,* upon whom to vent the dissatisfactions due to our own shortcomings or difficulties? It is obvious that the issue as to whether we shall be in a dominant position or in an inferior one is a central problem of life, typifying the struggle that goes on within our own individualities. The labor situation attracts fanaticism because every issue seems to involve the element of struggle between the dominant and the dominated. It lends itself readily to a wealth of "free associations" of ideas, not disciplined by logical processes. So it has come about that in most cases the labor problem has been approached in a spirit of emotional intensity rather than of rational analysis.

In taking sides for one or the other of the contestants in the industrial arena, we are largely

influenced by our early reactions to life. If one is a conformist member of the privileged class and has not rebelled against his family tradition, he becomes anxious to protect what appear to be the misunderstood rich captains of industry. If one has reacted against his early environment, he is apt to be violently pro-labor.

There is ground for believing that preoccupation with the under-dog philosophy is accentuated in certain individuals by their experiences, as children, in resenting the domination of a father. Constituting possibly a deeper emotional determinant, are the injustices which children suffer, or imagine they suffer, in the favoritism shown their brothers or sisters at their expense. It is as children, too, that people are first struck with the injustice of the difference between rich and poor. These varied feelings of resentment are the background of the early impressions of the contrast between masses and classes and its apparent irrationality. The resentment persists unconsciously in later life. And chiefly because the labor problem is so largely colored by our emotions, we have been led far afield in our thinking.

Of course, my reference to those who show interest in the under-dog is not meant to belittle the usefulness of those who courageously attempt to counteract governmental or economic tendencies which seem to them to discriminate in

favor of privileged groups. Without the propelling force of emotional idealism, no progress would be made in this prosaic world. Such idealism is necessary to prevent a civilization from disintegrating. This criticism does apply, however, to those who are such extreme partisans (often determined by their own psychological history) that they do not have the patience to analyze the realities of the situation. They are not unlike neurotics who are so occupied with their inner emotional conflicts that they are oblivious to the true environment. Those who sympathize with the less fortunate, yet retain sufficient objectivity to see the entire situation, are the ones who render the most valuable service to the community.

The emotional interest in the labor problem has brought about a tendency to ascribe to it every disturbance that arises in or near the industrial scene. The Herrin situation is an excellent instance. The first impulse was to rush to the conclusion that the savagery in the industrial war at Herrin was implicit in the present economic system, a by-product inevitable in "our wicked industrialism."

This "curbstone opinion" was not justified by the facts. For what happened subsequently disproved it completely. The savagery here was due rather to a sort of left-over pioneer condition —to a lack of social education and restraint. As

the report of the United States Coal Commission asserts: "Much of this violence had nothing to do with the coal industry but had to do with the nature and racial characteristics of the people, yet it has furnished excellent argument for one side or the other. The primitive conditions of life of this people can scarcely be paralleled anywhere, unless in the mountains of North Carolina and Tennessee." [1]

Local traditions of violence exerted a dominating influence there and accounted very largely for the outbreaks. A few months later tense situations developed in Herrin over such matters as the Ku Klux Klan and prohibition, which could not by any possibility be ascribed to industrialism.[2]

The same kind of comment may be made on the Bisbee deportations. Reliable observers maintain that this type of direct action was a phenomenon not so much of industrialism as of

[1] *Report of the United States Coal Commission.* 68th Congress, 2d Session. Doc. 195, Part I., (Washington, Government Printing Office, 1925), p. 168.

[2] Those who have forgotten these later episodes will have them vividly recalled to mind by re-reading "Why Men Murder in Herrin," an article by William L. Chenery in *The Century Magazine,* (December, 1924, pp. 187-194). Mr. Chenery relates as an instance of the spirit of lawlessness in Herrin the following: "Two young men accused of killing the prohibition constable last February were released, the district attorney refusing to prosecute them. Apropos, one of the sober citizens of the city said: 'It would take more than the testimony of four ministers of the gospel to convict any man of murder in Herrin.' This statement was not exaggerated."

pioneer conditions. As far as lawlessness was concerned, the deportations evidenced the taking of things into their own hands that Far Western communities were traditionally inclined to display. Yet in this instance, as in the case of Herrin, many persons, including students of labor relations, rushed to the conclusion that this phenomenon was inherently a problem of industrialism. They found it a convenient peg on which to hang their emotions, an easy basis for rationalizing.

A similar instance would be the struggle over wage changes. When a Governor of a state cuts teachers' wages or those of other public employees, or refuses to raise them, he is not accused of being party to a capitalistic conspiracy to mulct the laboring man. If a manufacturer pressed by competition does so, such an outcry is almost certain to be raised.

Another illustration, in a less contentious field, is the time-honored cry about the deadening effect of repetitive industry, in stifling the creativeness of the average workman. It is undoubtedly well to direct attention to the dangers of repetitive industry. But the over-emphasis of these disadvantages shows the tendency to take a sentimental attitude on a practical issue. One may recall the doubt thrown on the accepted notions of monotony of work by Hugo Münsterberg. It is a complex question of proper

adjustment.[1] Mr. Stuart Chase, who is professionally identified with organized labor, and who, therefore, could be presumed not to underestimate the situation, criticizes the common error as follows, in a review of a recent book:[2]

The author assumes what most liberals assume, in respect to the deadening effect of the machine on the human spirit. Recently there has appeared a certain amount of intelligent opposition to that view. Not all of us are born craftsmen, and we may desire our creative or emotional outlets in fields other than our work—in play, in day dreams, in puttering in the garden, in tuning radios. For such people it may be that a reasonably short work day, spent in mechanical repetitive motions *according to a rhythm carefully adjusted to the individual*, may not be as unpleasant or as spiritually blasting as some would have us believe. . . . The industrial unrest which flows from uncongenial work, is widespread enough, and tragic enough, but it awaits more careful study before we can say that a given

[1] In his *Psychology and Industrial Efficiency*, (New York, 1913), chapter xvi.

An interesting reference to this subject is contained in a recent issue of the London *Daily Mail*, from the report of William Mosses, General Secretary of the Federation of Engineering and Shipbuilding Trades, with regard to the trip of a British labor mission of inquiry into conditions in American industry. The reaction of workers to what appeared to be monotonous work was investigated. Mr. Mosses gives as one of the examples of experiments in this direction, the following: "The largest firm issued orders that there should be a general change-over every three months. Very few are availing themselves of this chance to vary the monotony of their employment."

[2] Book review, of John Fitch's *The Causes of Industrial Unrest*, in *The New Republic*, April 8, 1925.

worker punching holes in a given strip of steel, is *ipso facto* a miserable worker.

The distinguished psychiatrist, Mr. Elton Mayo,[1] stresses the fact that monotonous work causes disagreeable reveries. The examples he gives of cases of maladjustments would indicate that such reveries and maladjustments were the common portion of mankind. He admits they are present in many normal persons. From his own analysis they would seem to be due rather to the repressions of our civilized life and to a lack in the individual of that perfect balance which only a fortunate few attain. How far they are accentuated by monotonous work is a matter open to further scientific investigation.

Need for Rational Analysis

The tendency to follow emotional ruts is not confined to the industrial situation or to domestic questions generally. We have the same phenomenon in the present international situation. The underlying difficulty has been that because of the tremendous upheavals, the present generation has not been able to see the world as it really is. The great problem has been to replace passion by reason and common sense. In every great public problem it is important to disassociate the emotional, subjective aspects from those sus-

[1] In an article on "The Great Stupidity," in *Harper's Magazine*, July, 1925.

ceptible of rational analysis and treatment. We might well divert some of the energy that has gone into determining whether it is right that there should be "have's" and "have-nots," what class should dominate in industry, and similar absorbing issues, into the attempt to solve the seemingly duller question of what is sound from an administrative standpoint.

There has been much theorizing about new systems of production and distribution of wealth as substitutes for the capitalist system. In contradistinction to these dreams of a future order, based upon *a priori* theorizing, there are courageous experiments in the direction of mitigating maladjustments of the present system. Such are the interesting, concrete experiences of the Dutchess Bleachery, of Wappingers Falls, N. Y.; the Columbia Conserve Company, of Indianapolis; the Dennison Manufacturing Company of Framingham, Mass.; the Wm. Filene's Sons Co., of Boston; or the Philadelphia Rapid Transit Company—to name only a few. These experiments, well known to those interested in the progress of industrial administration, have been purely empirical in their nature. Because of their use of the trial and error method, they have much to offer.

The English system of "muddling through" has its merits, but it also has its drawbacks. Therefore, to guide future experiments, tentative

principles must be formulated concerning the type of industrial organization which will serve to secure both the production of physical goods and the self-development of the individual. These principles should not be too far removed from the field of every-day experience. Instead, the facts gained from experiments such as those already mentioned should be used as a basis for the determination of these general principles. The political scientist has been found useful in advising the politician. Likewise, the industrial scientist, analyzing the results of industrial experiments, can suggest principles to guide the economic leader.

A good deal of the treatment of the problem by various authors has been lacking in a fresh approach to realities. It seems to be affected by a sort of sentimentalism and an obsession with what one might call the "capitalistic complex," an element which is not more than a part of the problem, as I shall attempt to show.

In attempting to formulate sound principles of industrial organization the central problem is to discover what structures of association will function effectively. It is a question of experience, not of prejudice or theory. For example, regardless of whether we are pro-labor or anti-labor in our sympathies, is a proposal such as the Plumb Plan, as a method of organiz-

ing people to run the railroads, sound? The true answer depends on more than our prejudices. Again, entirely aside from the question of whether we are pro-labor or anti-labor in our sympathies, is the device of having representatives of employees sit on a company's board of directors sound? Strangely enough, private industries have sometimes decided that participation in management by employees is desirable, while co-operative organizations and public agencies have almost invariably decided otherwise. Yet a good deal of emotion has been wasted on such issues, as if they were merely a matter of sentiment. In some quarters one's attitude on such proposals has been regarded as a test of one's liberalism.

A Typical Proposal Examined

Let us consider the proposal to have employees sit on boards of directors. The advocacy of this proposal is sometimes regarded as an indication of progressiveness. It is not necessarily an unsound one, and I am not prepared to voice a categorical opinion. There is a good deal to be said in favor of such a plan. Having minority representation in the company might have the effect of inspiring confidence in the employees. On the other hand, if the director representing the employees were merely an ornamental offi-

cial, it would hardly make for integration in policy. Several questions suggest themselves. Would the directors' meetings become perfunctory affairs, and the important matters of policy be determined outside of it? Would not hard decisions put the representative in rather a false or difficult position? For he would be faced with two alternatives:—either assuming responsibilities for unpopular policies, and risking the accusation of having "sold out," or of delaying and blocking effective and necessary action by the company in order to keep his standing with his fellow-laborers. The difficulty is that under such an arrangement authority proceeds from opposite directions, going downward and coming upward. Nevertheless, experiments in this plan are not to be deprecated, for they are useful. But the difficulties show the need for caution in suggesting such a policy for widespread application. This indicates the importance of not letting one's sympathies carry one away in considering such proposals.

That there may be reason, from the point of view of sound administrative structure, for a lack of confidence in the usefulness of the proposal is evidenced by the experience of the English consumers' co-operatives. The latter have been unwilling to grant to the workers any participation in the management, in spite of the insistent demands on the part of the co-operative workers'

union that they do so.[1] In curious contrast to this attitude on the part of the executives in non-capitalist enterprises, individual American capitalists have been conducting experiments of almost extreme tendencies, such as in the case of the firms previously mentioned, where the men take an active part in discipline and management. In the Dutchess Bleachery, according to a study by the Russell Sage Foundation,[2] the workers were active in having elected as the new manager a superintendent who was very popular with the operators, but who might not have been chosen by the ownership of the company.

One may gain the impression from reports like the latter that such participation is to be recommended generally as a method of securing co-operation of workers, and inferentially that it

[1] Sidney and Beatrice Webb, *The Consumers' Co-operative Movement,* (London, 1921), p. 228. In her autobiography, (*My Apprenticeship,* New York, 1926), which comes to hand just as this book goes to press, Mrs. Webb makes some searching comments on this attitude of the English co-operatives. The following quotation is from page 373, (the italics are hers): "The model rules of the Co-operative Union, drafted by the leading exponent of the ideal of the self-governing workshop, Edward Vansittart Neale himself, expressly disqualified the employees of the store, *just because they were employees, not merely for election on the committee of management, but even for participation, as ordinary customer-members of the society, in voting for the committee!* Nevertheless, it was held by all the middle-class theorists and, in a muddle-headed way, also by nearly all the working-class co-operators who troubled to think about it, that the ideal government in any manufacturing process was government by the workers in that process."

[2] Ben M. Selekman, *Sharing Management with the Workers* (New York, 1924), pp. 72-3.

is a sound method of organization. But under such a scheme might not there be the danger that the manager selected would be the one who could best play politics? What has actual experience proved on this point?

Oddly, Sidney and Beatrice Webb, England's ardent intellectual Socialists, do not favor the policy. They state:

> No self-governing workshop, no trade union, no professional association, no co-operative society, and no local authority—and no office or industrial enterprise belonging to any of these—has yet made its administration successful on the lines of letting the subordinate employees elect or dismiss the executive officers or managers whose directions these particular groups of employees have, in their work, to obey. This, again, has not been for lack of trial. Innumerable self-governing workshops in different industries and in different countries have experimented in electing their own foremen and managers and their own executive committees, with an invariable result. It is, we suggest, a matter of psychology. The relationship set up between a foreman or manager, who has, throughout the working day to be giving orders to his staff, and the members of that staff who, assembled in the evening as a general meeting or a committee, criticise his action or give him directions, with the power of dismissing him if he fails to conform to their desires, has always been found to be an impossible one.[1]

[1] In *The Consumers' Co-operative Movement*, pp. 467-468.

Now the moral of these contrasting opinions is that this question of how far the workers in a particular industry or plant should be permitted to help direct that industry, and similar questions, should not be treated primarily as partisan issues. They also involve the problem of what constitutes sound organization, from the standpoint of achieving efficiently the social aims of industry.

The problem is not solely whether the proletariat is to have certain rights because workers constitute the under-dog under the capitalist régime. It is, rather, how far is it good practice, under any régime, for the persons occupying subordinate positions to interfere with their executives? The need for discipline and for effective organization for work is similar under any system, governmental, co-operative or capitalist. These considerations must be weighed against the modern urge towards self-determination.

Mr. J. Ramsay MacDonald, England's first Labor Prime Minister, despite his sanity and extraordinary penetration in most public matters, adopts a rather romantic attitude in his views on industrial problems. He is sanguine of the possibility of workers' control, and evidently underestimates the problems of discipline. It is interesting to note that he points out the building guilds as one of the outstanding successes.[1]

[1] In his *Socialism: Critical and Constructive,* (London, 1921), p. 147.

These English building guilds have during the past few years proved a notorious failure. The neglect to take into account important principles of executive control and of discipline was, according to a well-equipped and impartial observer, one of the chief causes of their collapse.

There can be no doubt that good business management was rendered almost impossible by the form of organization of the National Guild. . . . In a democratically controlled body, discipline was not easily obtained. The Board of Directors were trade union officials with no business experience or ability. S. G. Hobson, the secretary, to whom was entrusted the management of affairs, lacked a knowledge of the industry sufficient to justify placing this responsibility in his hands. He is a man of great personal charm and of considerable ability as an orator and a writer. But these qualities, however, were of little help in the management of a huge business enterprise.

Unlike the group of American trade unionists, who have made so auspicious a start in the banking business by placing the management in the hands of trained bankers, the British building tradesmen did not seem to realize the value of technical knowledge and executive experience. They also underestimated the value of proper clerical assistance. This is an error into which trade unionists are peculiarly likely to fall. The Manchester office was absurdly undermanned. Those in control seemed not to understand that the man who simply sat on his chair in an office preparing accounts or whose principal task was to carefully scrutinize the

figures to see if they spelled efficiency or the reverse, may be much more important to the financial success of the enterprise than half a dozen men who were actually laying bricks or nailing on shingles.[1]

Such are the considerations which must be taken into account in deciding contentious industrial issues. Those who see the limitations in workers' control are not necessarily Tories. Because one may feel that it is an open question whether it is sound for the workers of a particular enterprise to be represented on the board of directors, does not necessarily indicate an unawareness of the deficiencies of our industrial structure or an insensitiveness to the evils under which large numbers of workers labor. Nor does it indicate that such an individual is less progressive than a man who uncritically favors any method of extending workers' control.

For instance, Mr. Webb seems to believe that the management should not, even on the advice of a company's employment office, reverse the decision of a foreman once he has actually discharged a workman.[2] This does not mean that Mr. Sidney Webb, a member of the former Labor Cabinet and a prominent Socialist, is "anti-labor." Although there is a strong body of experience and opinion which differs from

[1] Alexander M. Bing, "The Wreck of the British Guilds," in *The Survey*, January 1, 1924, p. 351.

[2] In his *The Works Manager Today*, (New York, 1917), pp. 31-2.

Mr. Webb's opinion, as does the writer, this does not make Mr. Webb pro-capitalist. It merely means that he has certain ideas as to what constitutes proper discipline and proper organization. One may be convinced that the lot of the laborer is hard, and see the need for improvement in various aspects of industrial relations, and yet not accept the particular machinery or device advocated by those who profess to speak for the workers. For there is a difference of opinion even in their own ranks as to the merits of such measures from the standpoint of organization.

It may also be wise to give a subordinate place to abstract legalistic and moralistic conceptions. The traditional attitude in discussing organization within industry has been the purely contractual, in which were discussed questions of the abstract "rights" of each party, the employer and the employee. Instead, it must be realized that in modern industry the problem involves an administrative relation which needs to be worked out chiefly from an administrative standpoint.

The stressing of the "rights" of labor on the one side, and the "rights" of capital on the other, has been practiced by individuals diametrically opposed in their sympathies. By rationalizing their prejudices with regard to the "rights" of the employers concerned, judges with an evident anti-union bias have rendered decisions unfavorable to the labor point of view. The "rights" of

labor, regarded as a purely contractual matter, have also been the basis of opinions of judges and writers with a definite pro-labor point of view. Dean Roscoe Pound is undoubtedly correct in maintaining that employer-employee relations should be regarded not as a matter of contractual rights and duties, as in the Roman law, but as a matter of status built up by the relation itself.

It may also be said that the historical treatment of the subject has put past abuses too much in the foreground. In this connection, it is interesting to note that Sidney and Beatrice Webb, in a recent propagandist book on *The Decay of Capitalist Civilization*,[1] based a large part of their indictment of that system on the terrible maltreatment of workers during the early nineteenth century, abuses which they acknowledge have been done away with in large measure.

Without in any way belittling the usefulness of understanding the historical background, it is proper to point out that it can be, and has been, exaggerated. The history of labor relations is serviceable in showing how memories of the past have influenced the present states of mind of the contending groups. But otherwise it is largely irrelevant to the present situation. It is the existing organization of industrial society, not the outworn one, that determines the problems

[1] London, 1923.

with which we have to deal today. The large-scale capitalistic methods of production are here to stay.

There are serious dangers in excessive emphasis on the historical aspects. It may encourage brooding over the past, when the urgent need is courageously to face the present. It is somewhat analogous to the situation in Ireland, where continued insurgency has been due largely to the persistence with which a large number of the Irish people cling to a fantasy world composed of their memory of past abuses. Its more realistic statesmen, once the Irish environment was rendered more acceptable, have insisted that the people come back to reality.

In particular plants and in some industries, past memories frequently obstruct attempts to improve conditions. Recently I visited one of the most progressively conducted businesses in the country. The personnel manager stated as one of his chief difficulties, that it has taken a good many years for the present owners to overcome the mistrust by the workers, resulting from conditions created under the truculent management of the previous generation. The class solidarity in the coal mining industry is largely caused by the bitter stories of past abuses told to the present generation of miners during their childhood by both their fathers and mothers. The terrible conditions connected with the Eng-

lish slums, and the mental pictures of dirty mills and wretched people, have become associated with the labor problem, and to this day have shed a picturesque glamor of misery over the whole subject.

It may be a healthy thing at times to forget the historical background and see the situation afresh, from a practical point of view.[1] The important problem after all is not so much the "why?" as it is: "what conditions exist now?" and "what are we going to do about it?" Indeed, in meeting any problem it is a more healthy and practical procedure to put aside the past and to attempt to examine the existing situation with an unencumbered mind. In brief, we must look upon the modern problems of industry objectively and try to work out the best form of organization. Those interested in the labor problem have given this aspect of the subject least attention.

[1] Instances of memories that impede a satisfactory solution of a present situation are reported widely in the literature of labor relations. One such is from a summary of the report of the U. S. Coal Commission published under the auspices of its research staff. "In the earlier days of coal mining, power was predominantly on the side of the operator and abuse of that power was the frequent result. Over at least two-thirds of the coal fields this dominance by the operator has gradually given way before the rising power of the union until the original position of the two has frequently been reversed. The background of years of oppression, however, even where conditions may now be entirely altered, colors the mental attitude of the miner today so that the coal operator of today must pay an accumulated penalty resulting from the short-sighted labor policies of operators of the past."—*What the Coal Commission Found,* (Baltimore, 1925), p. 239.

Sound Human Organization

Running all through the complicated pattern of our industrial life and even in our non-industrial administrative activities is one strand that is essential to the strength of the fabric—*sound human organization.* It combines all that is suggested by the terms scientific management and "the human factor in industry." Changes in control or status are comparatively superficial if this problem is not given first attention.

The world's work requires that men must be marshalled to do that work under some sort of organization and leadership. This problem of organization is common to the United States Steel Corporation, to the British co-operatives, to the French post-office or to the industrial operations of the Russian government. In the process of achieving results, the hope for human development must be kept in mind. But neither the self-realization of men, nor maximum results in goods, services or profits, can be achieved unless sound methods of organization are introduced. It is the bed-rock of more harmonious adjustments in all our activity.

In attempting innovations in industrial organization, one factor which is not as important in our political life must be kept in mind. This is the need for economic efficiency. In political life, efficiency may be sacrificed for the sake of

the principle of self-determination. In economic life, there are greater limitations to the sacrifice we can afford.

I was interested to find Mr. G. D. H. Cole saying that:

> The old political formulae—"Each to count as one, and none as more than one," "one man, one vote," and the rest of them—do not provide any basis at all for the working out of a system of industrial democracy. They have never been applied, even in politics, in the spirit as distinct from the letter; and in the working out of the industrial problem they afford little or no guidance. We have grown distrustful of elections, even in politics, nowadays, as means of expressing the real voice of the people, and our distrust does not induce us to mistake electoral machinery for democratic operation of industry. Politics presents many technical problems involving expert control; industry presents far more, and demands much more a free hand for the man who knows how to get the job done in his own way.[1]

Coming from a foremost exponent of Guild Socialism, this is a particularly arresting declaration.

The writer does not share the pessimism and discouragement that some publicists, formerly strong advocates of the democratic principle, feel over the poor results of democracy in the

[1] In *The Survey*, May 15, 1925, p. 246.

political field.[1] The defects were to be foreseen and there are compensating advantages—advantages which to a large extent are intangible. Any other system is incompatible with the modern conception of the dignity and self-respect of the individual. But economic life is a field in which sterner discipline is necessary than in political life. Production of goods must not be endangered for the sake of shifting power along doctrinaire lines.

This conclusion is not based on any lack of appreciation of the intangible values contemplated by those who preach the need of democratizing industry. To ignore psychological for materialistic values would indicate a distressing lack of imagination. Obviously the former values are just as important as things that can be eaten, felt and touched. But without taking too materialistic a view of life, the extent to which culture and civilization are interrelated with economic progress cannot be minimized. In industrial activities the principle of self-determination must be harmonized with the principle of efficiency

A large measure of autonomy and self-expression for workers in industry is not only compatible with efficiency but actually conducive to

[1] See the speech of Dr. Charles A. Beard, before the National Conference on the Science of Politics, in *The New York Times*, Sept. 8, 1925, p. 10.

efficiency, as many experiments in employee representation and management-union co-operation have demonstrated. The point is, however, that this factor of efficiency, in the present state of the industrial world, must be the most prominent if not the determining consideration in evolving new principles of organization.

This means that much of the fantasy and subjectivity in thinking of industrial relations must be discarded. The problem is a practical one and must be tackled as such. It requires the attitude of open-mindedness and science. As a pre-requisite, conventional misconceptions must be avoided. Since students and scholars, wage-earners and employers, alike, have been exposed to certain stereotyped modes of thinking, it may be advisable to examine these first.

CHAPTER II

THE CAPITALISTIC OBSESSION

MANY people have taken it for granted that the modern labor problem is due wholly to the fact that our economic system is capitalistic. It is really remarkable how widely this view has been heralded and how long it has gone unchallenged, despite experience showing the existence of the labor problem outside of this system. As a corollary, the problem is regarded chiefly as a struggle between the rich and the poor. This naïve simplification must be examined before we can go much further in analyzing our industrial situation.

Whenever any group is organized, whether for work or for pleasure, certain typical reactions may be observed among the members of that group. Any woman who runs a household, any man that runs a government department or subdepartment, as the present writer did during the war, any head of a family, knows that whenever one attempts to get human beings to co-operate to do work, dissatisfaction, misunderstanding and friction arise. A certain amount of rebelliousness and restlessness is natural to any person

who is under discipline or to any group which is organized. It is probably a healthy phenomenon—just as certain early manifestations of a son's rebelliousness against his father. For what does one think of too docile a child?

Even when people are organized purely for pleasure, as in a club, there are a host of difficulties in keeping the membership contented and co-operative. There occur cases of intra-organization friction not unlike those which crop up within the industrial field. Questions arise of autocracy *vs.* democracy in control; whether it is better that the activity shall be run efficiently by a few or that it be run inefficiently by many. The underlying cause of unrest is the resistance of any subordinate to any system of discipline in a dynamic society. Among the Incas, a static society, he was not restless.[1]

Is "The Labor Problem" Peculiar to Capitalism?

Mr. J. Ramsay MacDonald, in his book, *Socialism—Critical and Constructive,* says that the difficulties of getting whole-hearted work from labor are due to resentment against the capitalist system. If capitalism were the root of the difficulties between employers and the employed in industrial plants, then the absence of capitalistic ownership of an organization or enterprise should

[1] See, for example, William Prescott, *History of the Conquest of Peru,* (New York: Harper and Brothers, 1847), Vol. I, pp. 54-62.

free it of its labor problem. We know, however, that labor-owned banks, labor-owned mines, and even the labor unions themselves, have difficulties of organization very much like those of capitalist ventures. The heads of the post-office, the police department, the school system and other institutions not founded on capitalism have their labor problems. The co-operative organizations have had a host of labor troubles. The Soviet leaders of Russia, free from capitalism, have had serious difficulties in organizing people for work.[1]

Of course, it is true that the "behavior patterns" acquired under our capitalist régime may

[1] The following clipping from an English newspaper of May 23, 1926, is typical of reports which have come from Russia with reference to their problems of organization for work. "The pan-union congress of Soviet miners has just concluded in Moscow. One of its most outstanding pronouncements was a long and detailed speech by Rykoff about the low productivity of the miners.

"Rykoff outlined the drastic measures which were necessary to make the mines profitable, among them 'intensification of the miners' working day' and a campaign against absenteeism. He admitted that absenteeism was largely due to drunkenness, which had increased since the Soviet Government removed the restrictions upon the sale of vodka. Another reason for unproductivity was bad organization. Rykoff gave the example of mines where, although the miners remained underground seven hours, they were obliged to spend three hours of that time idle owing entirely to lack of organization.

"The same cry for intensification of work is heard in every industry, and Rykoff, as Chairman of the Council of Labour and Defence, has issued a strict decree requiring an all-round increase of production at the very least by 10 per cent. This decree emphasizes the necessity to restore discipline and the strict observance by workmen of the terms of their contracts with the employers. The State enterprises, it lays down, must employ only the number of workmen which is really necessary and dismiss all superfluous hands."

be carried over into non-capitalist activities, so that the latter may be indirectly affected by the system. But it would be straining a point to argue that all the difficulties in the organizations mentioned come merely from habits which arose under former capitalist régimes or from the contagious example of existing capitalist institutions. The problem of organization for work would arise on a desert isle where there was no formal system; mutiny and rebellion might result though there was no profiteering. One may recall an instance in Barrie's play, in which the action took place on just such an isle, that when all caste control disappeared, the Admirable Crichton, the super-butler, became the leader. He had considerable difficulty in compelling obedience for purely altruistic ends, but because of his innate resourcefulness, enforced it by the bait of the appetizing aroma of soup, which had been prepared through his initiative.

In stating that the larger part of the labor problem does not arise solely from the existence of the capitalist system, I do not mean to imply that this problem, in its present manifestations, is not largely complicated by defects inherent in that system. My contention is that capitalism merely adds difficulties to a problem which would exist in its essentials whether we had capitalism or not. Since these difficulties are intertwined with the normal and inevitable difficulties of or-

ganizing for work, clear thinking requires that we attempt to segregate the peculiar difficulties due to capitalism from the ordinary difficulties which we would have in any organization of people for work. For the latter is the fundamental and continuous factor; the former is perhaps only a temporary complication.

If the mistaken notion is once abandoned that capitalist ownership or control is the sole or primary basis of the existence of labor difficulties, it becomes possible to see the labor problem as a complex thing which can be broken down into elements showing its mixture of psychological, sociological, economic and historical factors. The general problem of getting any group to function and co-operate effectively in work relations becomes conspicuous as the outstanding difficulty.

If the evils of labor relations attributable to capitalism are analyzed, we find that many of these defects are not peculiar to capitalistic organization but are difficulties to be found to greater or less extent in any type of human organization for work. Some of these difficulties will now be considered.

1. *"Autocracy"*

There are elements in the personal make-up of forceful employers that have nothing to do with capitalism and which are the attributes of

an administrative leader in any active organization. An outstanding trait is impatience with interference in control.

Now the aggressiveness which often results on the part of industrial executives, has little to do with capitalism. An executive in the post-office department is apt to be just as aggressive as an executive in an industrial corporation. Indeed, this department has been slow to adopt modern personnel methods, and as a result, the turn-over in the postal system, owing to dissatisfaction with superiors, is high.

Union executives are often reported to be extremely domineering. I quote from a letter from a college professor who is strongly pro-labor in his sympathies: "Some of the harshest treatment of office assistants and of members of the organization can be observed in unions. The worker who fights his way through the ranks learns that in a democratic organization a certain amount of autocratic action is necessary. He is likely to be a domineering personality who makes a practice of the abuse of others." A good example of the fact that the leaders of labor unions themselves feel they cannot afford to be democratic was illustrated by the attitude of a prominent labor leader with reference to the initiative and referendum within the union. This particular labor leader was by no means an autocrat but a fair-minded and constructive leader. Yet

he argued at length that it was impossible to have these democratic features within the union. Incidently, he made a very good case of it.

The executive in a co-operative enterprise, even one owned by laboring men themselves, is just as impatient of interference as the conventional bourgeois capitalist owner. Mr. John Graham Brooks presents illuminating testimony on this point:

> We have had instances inside co-operative stores in this country showing that working-class directors act precisely in the manner of capitalist employers when beset by the same problems. Demands from clerks were met by the same arguments and by the same tactics. Troublesome employees have been quietly dropped by co-operators because they were "agitators." A co-operative manager told me he had discharged seven men in three years. He admitted that he had not given the true reason to the public. "It was safer to say they were unfit for their job." The "labor problem" is everywhere in the co-operative movement. . . . We now know that among co-operators a strike may occur which brings into the war zone about every sort of dispute known under capitalism; wage minimum, overtime, discharge of men, trade union arrogance, hours and conditions of work. Capitalism cannot here be made the scapegoat. Labor strikes against labor and under a strictly labor régime.[1]

Similar evidence is the statement of Mr.

[1] In his *Labor's Challenge to the Social Order,* (New York, 1921), pp. 275-7.

Leonard S. Woolf that: "The individual co-operator and the community of individual co-operators find themselves separated by an impenetrable barrier of officials and employees from the actual transaction of business, while their ability to influence the actions of their executive officers is limited."[1] Even in philanthropic organizations one finds the executive who resents suggestions or "interference" of any kind.

Thus we see that autocratic methods are not simply a fault of capitalism but of human nature, of tradition and of social organization. If we wish to rid ourselves of such methods, we must study autocracy as a more permanent human and social trait, rather than as an evil associated only with a particular form of industrial ownership and control.

2. *Impersonal Relationships*

Another method of pinning the fault of labor unrest to capitalism is by ascribing such unrest to privately owned large-scale organizations. The reasoning is as follows: "Large-scale industry is inevitable because of general economic tendencies. Under a capitalistic system large-scale industry necessarily means labor unrest. Therefore, as a substitute, state socialism or some other method of economic government must be developed."

[1] In his book, *Co-operation and the Future of Industry,* (London, 1918), p. 57.

The defect of this argument is that it assumes that labor unrest exists only under large-scale, *capitalist* organization. But there is labor unrest in non-capitalist owned large-scale organizations, as there is in small organizations of every character. Some notable failures of large enterprises in which capitalism was not a factor are, for example, the French telephone system and the English building guilds. There may be special reasons to explain these failures. On the other hand, despite their capitalist affiliations, there have been many successes in large, privately-owned industries which small-scale organizations, as well as large governmental or socialized industries, might do well to emulate.

Experience shows that labor unrest has little to do with the size of a plant or the nature of its ownership. Large-scale impersonal industry is a necessary development within our present economic system. Large economic units can be and have been effectively administered in the interests of all concerned. It has been found to be solely a matter of giving proper attention to the problems of human organization. Centralized control with decentralized management is perfectly feasible.

It is a mistaken and romantic notion that everything was "rosy" when industry operated in small-scale units, and that all our troubles are due to the fact that the owner no longer has per-

sonal contact with his men. The record of early industrial England, with its small establishments, reveals conditions that are not enviable. It is also pertinent to recall the intense bitterness often existing between the employees and the owners of small, family-owned plants in England or in Germany. Recently a case was reported in which workers in a German factory threatened to kill the owner, one in a long line of family ownership, unless higher wages were paid. The small family enterprise is, in a way, somewhat analogous to the old feudal ownership, and it is not as much in keeping with the spirit of our national life as are the large, de-personalized institutions. Stressing the advantages of small-scale units sounds suspiciously like the customary romantic reminiscences about "the good old times."

It is certain that the worst exploitation today and some of the most troublesome forms of unrest are associated with small-scale, sweat-shop industry, where boss and wage-earner work side by side. Indeed, one of the chief complaints of the clothing industries in New York is the fact that the units are too small. The small shop is also a serious problem for the unions, for they can do little to check evasion of standard terms of employment. The average number of workers per shop in the New York garment industry, in 1924, had fallen to less than seventeen. That

this has resulted in a vast amount of friction in the industry was shown in the exhaustive report of the Governor's Commission.[1]

Thus the ascribing of labor unrest to large-scale industry may be considered as evidence of the tendency to over-simplify labor problems, in order to make the facts fit the romantic melodrama. The figures of an official report in New York by the Industrial Commission, in 1925, on the vacation policies of various firms, are interesting in this connection. They show that the larger establishments are far in the lead in giving vacations to their factory workers. There is much similar evidence with regard to sanitation, factory environment and working conditions generally. In recent studies of several industries, such as those of bituminous coal, the need for larger-scale units has often been pointed out.

There has been a great deal of exaggeration, also, of the extent to which unrest has been a result of "the separation of the worker from his tools." The tendency has been to disregard the instances in which the process has not been carried very far. The building trades have more than their share of difficulties, but have the bricklayers, hod carriers or plasterers been separated much from their tools? The public record does not indicate that there is less unrest and more

[1] Governor's Advisory Commission, *Report of an Investigation on the Cloak, Suit and Skirt Industry, New York City*, 1925, p. 5.

happiness in the coal industry than in others, and yet in that industry the miner works by himself in a most individualistic fashion.[1] The much-discussed factor of capitalist-owned tools is absent in so many cases of unrest, that this particular factor cannot always be regarded as of such fundamental importance as has been thought.

The worker in the garment trades has not been separated much from his tools. His work place is not too big, and the industry is free from absentee ownership. Nevertheless, the industry does not lack its proportion of discontent. The charge of driving is levied against the small shop in the clothing trade because the boss of a small shop, in close contact with every worker, can by personal driving maintain a faster rule of output than the foremen of a big factory. This indicates that the closeness of the employer to the worker is not necessarily a healthier condition. The question concerns itself rather with *the methods adopted by the management.* If the method is the old-fashioned one of driving, the small employer-management may be far worse than the salaried management hired by absentee landlords. If the method is that of leadership, the small employer-owner may ex-

[1] Mr. Carter Goodrich, in *The Miner's Freedom,* (Boston, 1925), states: "The miner's freedom from supervision is at the opposite extreme from the carefully ordered and regimented work of the modern machine feeder." (p. 14.)

ercise a rough intuitive leadership, effective in its way, but the salaried manager is more likely to be properly trained. The latter will excel in administrative methods which mean much for the welfare of the employees. Some of the plants most praised for enlightened policies are owned by investment companies—"absentee landlords." One such outstanding example is the Dutchess Bleachery, already mentioned.

With our modern ingenuity there is no reason why we should not in both a social and productive sense successfully organize large units of people for work. The very size of ownership can be turned into an advantage. The old-fashioned, small-scale, paternalistic system may have a certain old-time glamor, but it also had disadvantages, usually overlooked. The very impersonality of large-scale ownership makes possible a more objective and impartial attitude on the part of the management. In a large establishment there is a greater likelihood of the adoption of the best personnel methods, and the executive who irritates his workmen by injustice or incapacity is subject to higher control and recall.

3. *"Sabotage"*

Some observers have asserted that capitalists and employers are guilty of the very "sabotage" and *ca-canny* that they allege against their

workers. They charge that the capitalist owners of an invention often try to prevent the adoption of a new invention, by buying it up and holding it off the market; or where competition is too severe, will combine with their competitors to hold back production. They imply this is inherent in the capitalist system.

One realizes the element of truth in the charge, but one is skeptical of its being distinctive of capitalism. For the failure to adopt the most modern methods is due either to selfish interest or pure inertia. There is no warrant for assuming that a government department would be manned by persons with less of a selfish interest in the *status quo* of their subdivision than employers have in their own businesses. Is inertia less common among government officials than elsewhere?

Even in philanthropic organizations one finds this trait. One organization will secretly, or even openly, retard the progress of a social movement which it is organized to further if it feels that another organization will be the gainer. Indeed, in academic circles where selfish interest upon the part of others is so generally denounced, unwillingness to sacrifice department interests for the good of the cause is not unknown.

There is therefore no reason why we should confine our realistic attitude to our "money

economy"—and no reason why we should be cynical in the one case and not in the other. The essential element of sabotage is the willingness to sacrifice constructive ends for selfish purposes, and that is limited to no one aspect of human activity.

There was probably never a sabotage on a larger scale than that of Mr. Lodge and his followers in scrapping the League of Nations, which he had formerly promoted, and in creating a state of mind throughout the country that has been a serious obstacle in the effort to bring about a better international system. This sort of spirit prevails too often in the relation between a Governor of one party who is saddled with a state legislature of another.

Sabotage may take a slightly different form under capitalism, but human nature does not work entirely dissimilarly under any system or within any group. The disposition to destroy if one does not get one's way is observable among children. Yet, with all these similarities, it is true that individuals are naturally more resentful of abuses of economic power than of abuses of political power. There is more bitterness between the poor and the rich than between those politically powerful and those lacking in political influence. This is a peculiar phenomenon. It can be explained, in part, in connection with another phase of capitalism now to be considered.

4. *Exploitation*

One of the chief evils of capitalism is the opportunity afforded for economic exploitation, the use of others for purely selfish purposes, with the resulting suspicion it engenders.

I do not underestimate the importance of exploitation as a factor in organization and leadership. The employee who feels that he is being used, exploited, "gypped," by the man above him, is not one from whom loyalty and co-operation can readily be secured. The fact that others have been making money out of the enterprise in which the workman is engaged adds fuel to the fire of his natural restlessness. It provides additional material with which to rationalize that restlessness. To the ordinary inherent difficulties of securing loyalty and morale, there is thus added this further difficulty. A grievance of a special sort—a sense of being exploited—is added to the grievances, real or imaginary, that a follower may have against his leader in any type of organization.

The question is, however: Is exploitation confined to capitalism? And if we get rid of capitalism will we get rid of exploitation? It will probably be exploitation in another form. The politician accumulates *units of political power* much as the financier accumulates *units of economic power,* that is, money. And at their

worst, the former can be as unscrupulous as the latter. The only mitigating circumstance is that men prefer to be exploited by political leaders rather than by a moneyed group.

The main object of a politician may be his own success and his own power, and if it is, he may exploit his subordinates and his public just as unscrupulously as a "blue sky" financier. He is interested in the game of politics as the financier is in the game of business. Success in making a big score in the game is unfortunately often more important to both types than the constructive ends involved. Human nature is such that most people are more interested in "making a showing" than in scientific progress. Success is what they wish to achieve. Even in such things as the statistics of crime the record is padded by a police commissioner. Former Ambassador Richard Washburn Child has said, in one of the articles in the *Saturday Evening Post* in which he discussed the crime wave: "Where the business man is intent on profits, the bureaucrat is on statistics. In either case they are interested in these figures even if the figures do not mean constructive results or even if their achievement in statistics impedes results."

There are probably psychological reasons why men resent more being exploited by money power than by political power. Students of abnormal psychology have indicated that money has a

peculiar symbolic interest aside from its rational utilitarian aspects. Money, they claim, is a symbol to the individual which has a curiously exalted value, different from other forms of power. It has a meaning in our inner life which has been handed down from generation to generation and has become ingrained in our psychology. But the acquisitiveness of man is not limited to money and may be satisfied in other ways. The symbol of power and desire for possession becomes an end in itself, aside from its value as a means of satisfying material needs. The hoarding of money may become a curious pathological disease, as in the case of the miser. But although we do not often hear of misers of other forms of power, political bosses in their greed for control show symptoms not unlike those exhibited by hoarders of gold.

Some Compensations of Capitalist Control

Now there is one enormous benefit from the acquisitive instinct as expressed in our capitalist system, an advantage so great that it goes far to offset the disadvantages of the present form of exploitation. It has led to tremendous economic progress and a vast production of goods. It is not certain that self-seeking applied to political ends, as in the socialistic direction of production, will confer similar benefits. Indeed, it seems quite certain that political exploitation will not.

Has the manipulation of the financier in the New York subways been more disastrous than the manipulation of the demagogue in the control of their extension? The financiers made a profit, but they did build subways. The demagogues have accumulated political majorities and power—but they have not built needed subways.

One of the merits of the capitalist system not sufficiently understood is the administrative advantage of decentralization. Responsibility for achieving results in any particular enterprise is left with a group who are given a free hand to initiate, plan and execute. In forming such groups, individuals are able to find congenial and like-minded partners. The disadvantage of state socialism is that in any particular administrative office, men are jumbled together. They may not think or feel at all alike. Consequently, there is difficulty in achieving the type of executive initiative and team work that is secured under a decentralized, capitalist organization. During the war, men who found that they were forced to work with individuals distasteful to them had difficulty in maintaining effective cooperation. Patriotic motives overcame these retarding influences, but when the war was over, men went back to their former associations with great relief.

That grave evils in the treatment of workers have arisen under capitalism no one will deny.

But the point of view that it is uniformly a deleterious influence is a delusion of doctrinaires. I can illustrate from personal experience a case that is significant, because it is typical of much that capitalism has done.

The illustration is a backward Southern community so isolated that the impact of this so-called "exploitation" upon the members of that community can be described without the necessity of giving weight to complicating factors. It was a typical home of the "hill-billy," and as is commonly the case, the population was under-fed and under-educated. The people lived on salt bacon and molasses. The men were so anæmic when employed during the first years of the existence of the enterprise that they came to work at "quarter time," ten o'clock. Capitalism in the meanwhile began to wake up this community. A store was opened by the management. The women who had previously worn "Mother Hubbards" and gone barefoot, began to be interested in the comforts of "Main Street." They gave the men better food and "pushed them out to work" earlier. After twenty years a vast change has taken place. Over $22,000,000 has been paid to the workers in wages. It is now an upstanding community. The children are well-schooled. The men and women have lost their old characteristic lifelessness, and are now energetic and efficient.

There can be no question that in the United States, capitalist production has brought a vast amount of goods and services to the masses—Ford cars, telephones, radios and other goods which could hardly have been produced to such an extent under any other system. Although there is a contrast in wealth that is enormous, it must be conceded that the working classes have never been better off in comforts.

Critics of our system admit that the average citizen is better off absolutely, but claim that because of these great contrasts in wealth he is worse off relatively. But this is debatable. Is it reasonable to suppose that the difference in power between the average worker, and Mr. Ford or Mr. Rockefeller, is any greater than, or even as great as, the difference between a tenant and his feudal lord in the Middle Ages? A characteristic of money is that it can be measured exactly, while other symbols of power cannot be.

The confusion arises because money performs two functions at the same time. One is to purchase comforts and luxuries, the other to give the power to direct productive activities. To the possessors of large fortunes, the latter is usually the important aspect. To those, however, who are not possessed of comfort and luxuries, the former is the chief cause of resentment. This dissatisfaction is also influenced by the fact that the large possessor of money, the captain of in-

dustry, is not elected to his position of power. These conditions, in a modern democracy, lay the present economic system open to criticism, but do not justify exaggeration of the evils or abolition of the system.

Unfortunately, the evils that have taken place under the capitalist régime have enormously increased the complications of the task of organizing people for work. The feudal system lent itself to terrible abuses of power, and so has the capitalist system at certain periods. The industrial history of England in the first quarter of the nineteeth century has left extremely unpleasant memories that are a factor in the present situation. And so likewise has the record of exploitation in certain parts of this country with regard to the treatment of men who were organized for work by employers who did the organizing.

The Roads to a Solution

I have outlined certain peculiarities of the capitalist system which create states of mind on the part of workers that make the task of those who organize the work within that system more difficult. And I have also suggested certain features of it which make organization for work easier. The point to be kept in mind is, that the difficulties in the way of organizing for work under the capitalist system are *incidental,* al-

though important, complications. Any other system would create complications. This is not to underestimate the defects of the capitalist system. But there has been a plethora of criticism in that direction, to the disregard of the permanent problems inherent in all attempts to organize people for work. Therefore, the greater emphasis is laid on these neglected aspects.

As to the relative importance of the "capitalistic" element and the "organization" element, my contention is that one is more apt to have a happy, self-developing group of people within an enterprise run under private ownership which is well managed, than one is in a co-operative enterprise, a government enterprise, or a communistic enterprise, which is organized in a slovenly fashion. As Mr. J. A. Hobson, the British economist, one of the leading spokesmen of the labor group, has pointed out, most of the same sort of work now done, skilled and unskilled, agreeable and disagreeable, physical and mental, will have to be done under any system.[1]

To approach labor unrest as if it were mainly due to peculiar defects of capitalism is thus a profound error. The facts simply do not bear out this theory. Yet that is what many earnest social students have been doing.

It would not be of as much consequence if this mistaken view was purely a matter of theory and

[1] *Incentives in The New Industrial Order,* (London, 1922), p. 27.

"parlor discussion" not affecting the practical methods of handling the situation. Unfortunately, as shown in later chapters, the failure to see the subject from a proper perspective has not only led reformers astray but also led employers to adopt the wrong methods of attacking the daily problems of labor relations.

If the labor problem is seen from the proper point of view, thinking about it will assume a new orientation. We shall realize that while we are trying to improve our present system or even, as some prefer, create a new one, we cannot allow ourselves to become so absorbed in some distant ideal or be so stirred by the present evils as to divert us from the main task. The administrative problem of organizing people for work will always press for solution. Theoretical discussion of what is the most correct or perfect system may be more fascinating, but good industrial housekeeping is essential. We should, therefore, focus our attention for a while on the individual plant where the daily contact between employer and employee takes place. Here is the starting point of any endeavor to improve industrial relations.

CHAPTER III

MENTAL HYGIENE OF EMPLOYERS

THERE has been much discussion of the mental hygiene of industry—the discussion invariably dealing with the problems of the mental hygiene of employees—but nothing has been said about the mental hygiene of employers.

I am reminded of an episode which occurred at a meeting of a society for mental hygiene. One of the speakers, a judge of the Children's Court, stressed the necessity of mental hygiene among children. Whereupon, the presiding officer, a physician, suggested that the judge had omitted an important aspect of the matter and that was the necessity of studying the mental hygiene of many of the judges.

In a similar sense, it seems never to have occurred to observers that a most important aspect of the labor problem is the mental and emotional make-up and background of the executives. In books on industrial subjects, when space is given to employment psychology, the discussion of such topics as "Instincts in Industry," or "Mental Hygiene of Industry," is usually devoted almost

entirely to the employees.[1] On the other hand, management has been discussed in the abstract. But there has been little discussion of the psychology of the men who make up management.

As the employer is the most influential person in industry, it is well for all interested in the future organization of the industrial structure to remember that the executive temperament is seriously to be taken into consideration in the development of a better administration of industrial activities. Any program for improving management must be preceded by an analysis of the ideas, obsessions, prejudices, if you will, of the executive temperament. And if the formula of reorganization is incompatible with executive traits, production will be seriously impeded. A great deal of the industrial thought of the future should, therefore, be devoted to the psychology of employers and of leadership.

[1] It is interesting to note the suggestion of a modern personnel director that in interviewing applicants for positions the interviewer should first "discover his own complexes." Mr. John Mills, Personnel Director of the Bell Telephone Laboratories, says: "Many of you know some psychoanalysis and that the psychoanalyst must first discover his own complexes. When I entered employment work for technically trained men, some years ago, I sat down and very seriously—and have since very seriously a number of times—attempted to determine what prejudices I had in favor or against certain types of people, whether due to facial appearance, manner, dress, voice or anything else. I have tried as far as possible to discover what my prejudices are and by knowing that I have certain prejudices to avoid their full effect. I think that it is essential in all employment-interview methods." —(From a pamphlet of the American Management Association on "Selecting and Placing College Graduates," 1925.)

The modern tendency to take sides with the unfortunate and to focus interest on their problems has resulted in a neglect of the aspect of leadership. This interest in the non-privileged became prominent in the nineteenth century and has its foundations in the impatience with authority. The revolt against old-fashioned father tyranny was expressed in such books as Samuel Butler's *The Way of All Flesh.* Students have centered their discussion on the rights of the under-dog. Instead, they should concentrate their effort on making leadership constructive through a proper study of the education of present and future leaders. For the securing of adequate leadership is vital under any system. In the existing situation, these leaders are the employers and those who are on the road to becoming employers.

When things are not going right, it is common sense to start at the top in locating the cause of the friction. For example, experience with home situations indicates that where there is friction, the parents, and not the children, are usually the key to the problem. In attempting to ameliorate the condition, one should begin with the parents. One should ascertain what could be done in orienting them, rather than the children.[1] If

[1] Since writing the above I ran across a significant comment on this by Dr. Frankwood E. Williams. "Parenthood is the only 'profession' for which training is not required. . . . It is a commonplace in the child-guidance clinics that frequently it is not

parents are ill-balanced, tactless or neglectful, it is quite likely that there will be trouble in the family. In such cases, the abnormal reactions of children are the *result*, not the *cause*, of the situation.

When trouble arises in any organization, whether it be an athletic team, a philanthropic organization or an industry, one should likewise first study the psychology of the person in charge. There is no need to inquire at the start whether his followers or subordinates have met him half-way.

In industrial relations a great deal has been said of the necessity of co-operation between *both* sides, with the implication that the managers and the managed are to an equal degree responsible for the outcome. The fact is that the responsibility for bringing about sound relations between employers and employees is not equally divided. The individual initially responsible and influential in the industrial scene is the employer. In cases of difficulty the primary deficiency in personality is likely to be his. If he is equipped emotionally and intellectually to lead wisely, the industrial situation is almost certain to be good. If he is biased, ignorant or neglectful in the

the children who are brought to the clinic who need treatment, but the parents who bring them. Dr. Thomas W. Salmon suggested some time ago that it probably was not so much children's clinics that were needed as 'parentoria,' where parents could be made over."—("Mental Hygiene and the College Student," in *Mental Hygiene*, April, 1925, p. 231.)

matter of human organization, there is apt to be an unhealthy condition. It is for this reason that the psychological orientation of the employer is initially more urgent than that of the employees, and the education of the employer is more important than that of the employee. When once this conclusion is accepted, one no longer can put all the emphasis on the necessity of both sides co-operating, but must give first attention to *the responsibility and initiative of management* to bring about such co-operation.

Labor relations are intertwined with a smoothly functioning industrial household, and must be regarded as an integral part of the general problem of management. They are part and parcel of the problem of proper organization from the top down, not merely of the rank and file of laborers directly but of the entire staff. If there is dissension among the officers, or between the manager and the members of his staff, it quickly affects the rank and file of workmen, as quickly as children are affected by domestic discord. Dissension among officials is one of the important intangibles that create bad morale among the workers. Therefore, though at first the matter of securing co-operation among executives may appear unrelated, it is really part of the labor problem.

It would be ridiculous to suggest any panacea that will bring us complete industrial co-opera-

tion. But it is becoming increasingly clear that it is mainly a question of good management.

Who Are the Capitalist Employers?

As we have concluded that the principal factor in industrial harmony is the leadership of the employer, we come to the question: Who are these employers? The average person is likely to reply at once: "The Capitalists."

The term "capital" is an abstract symbol of an economic interest and an emotional grouping, rather than a precise term. As a result, the term "capitalist," as commonly used, is a very vague one. It comprises such diverse groups as bankers, merchants and manufacturers. Some of these have actual contact with the laboring men; others none at all, as for example, wholesale merchants dealing in commodities. The latter have very little grasp of the real influences affecting employer-employee relations. Their ideas about the labor problem are remote and confused.

Nevertheless, such groups rarely realize the limitations of their experience in these matters and are noisily partisan. Just because they are far removed from actual contact with the problem, they are apt to think it very simple.

It is often amusing to hear merchants whose experience has been wholly in buying and selling commodities, or bankers whose experience has been confined to buying and selling money and

securities, talk wisely about the labor problem. They are not unlikely to ascribe all the ills of the economic world to the "iniquitous conduct of trade union leaders" or to "an innate laziness of the laboring man." A banker from England who traveled over the United States visiting only banks, reported as his conclusion that we might expect serious economic difficulties in this country because labor was inefficient and wages too high. The man had not visited a single factory.

These groups of capitalists know so little of the daily relations of industrial life that they are unable to differentiate between the field where labor and capital have an identity of interest and the field where these interests are divergent. They are also the ones who join with lawyers in proposing such panaceas as compulsory arbitration. Having little information about the dynamics of the situation, they have helped to obscure the real administrative nature of the problem. They have seen the remedy as purely judicial. Perhaps it is their influence that has diverted attention from the important problem of the daily, intra-plant, administrative relations. It is only when we come to the actual employers of labor—the manufacturer, the retailer running a large establishment or the contractor—that we have a type of capitalist who has administrative relations with laboring men.

I will therefore limit my discussion to the concrete problems that arise between labor and this type of capitalist. Thus we shall deal with tangible human beings who have real contacts with the working men, instead of a vague abstraction called capital in juxtaposition to a vague abstraction called labor. This employing group of manufacturers or contractors is the fraction of the capitalistic group which, in contradistinction to such capitalists as merchants and bankers, is on the firing-line.

The different groups concerned in the operation of a large enterprise are, first, the banking group representing the capital interested, and second, the major executives of the company who report to the directors representing this financial interest. An important group are the local production executives, usually called "resident managers," who report to the major executives in charge of the production department. Under the resident managers there are plant superintendents and shop foremen.

Production executives are indispensable under any system and will always be with us. They are the leaders upon whose ability and enthusiasm successful operation depends. Any formula that is developed for the administration of industrial activities must take into account these individuals.

Are Executives Capitalism's Automatons?

The question of leadership frequently raised is, who gives the cues that motivate our executives? One group of persons, not familiar with the way business is actually conducted, have a romantic theory that the reactions of industrial executives are in response to those who give them their bread and butter—the "capitalists." There is an idea current in some quarters that action towards labor is controlled by such a definite capitalistic attitude that when an executive acts, he does so as a sort of economic automaton instead of as an individual.

Of course, there is a certain amount of this. In a fight against the closed shop in some city, especially in a Western community, all employers would probably stand together. They would be backed by the merchants and bankers. And, of course, there have been the wider movements, such as those for the "American Plan" campaign. There are waves of propaganda of this kind based on a general prejudice against unionism and against independent action on the part of the labor group, not only among people of large means but also among the middle-class.

But to return to the question of the extent of capitalistic unity of action. There is unquestionably a great deal of exaggeration in this idea. The people who entertain this theory have a

vision that "Wall Street" makes decisions on all questions. The corollary is that if "Wall Street" should suddenly change its views, the executives of the plants in the country would at once change theirs. The notion makes it appear that the obstacle to better labor relations is solely that of a small financial oligarchy. If that were true, our problem would be much simpler. It would involve solely changing the character of the control of industry, and not changing the traditions, attitudes and personalities of production executives.

The romantic tradition takes as its premise that the difficulties of the labor problems are due either to a reactionary policy on the part of the financiers or to utter neglect. However, local production executives are, in fact, the determining factors in local management. If the financial group is interested in anything, it is in profits. And there is no surer way of disturbing profits than by disturbing the existing managerial group who are making these profits.

The idea that the banking group controls labor policies is a great over-simplification which may be illustrated by the following example. There is a prominent banking house which is interested in the Baltimore & Ohio Railroad. It is also interested in the Union Pacific Railroad. Both are very important railroad systems. It would seem that the influence of this banking house should be

similar in both railroads. But the railroads have radically different labor policies. The B. & O. Railroad has introduced an interesting experiment in working out co-operation in the shops between union committees and managers. The Union Pacific has refused to treat with the unions and instituted an elaborate plan of employee representation. Bankers are more interested in results than in theories.

As far as production and employment policies are concerned, modern financiers, in most cases, leave the matter entirely in the hands of the major executives in whom they have confidence. There are, of course, exceptions, in which the bankers have displayed a direct interest, sometimes in a reactionary way, sometimes in a liberal one.

In turn the major executives are apt to leave wide discretion to the local production manager, not only as to technical matters but also as to the particular methods to be adopted in relation to the personnel, including the rank and file of the working men. For example, a manager of one plant may be interested almost exclusively in foreman training, the manager in another plant of the same company may be interested in employee representation, and a third in neither. Though there are exceptions, this sort of decentralization is the tendency of the times.

It is from the resident manager that the entire

atmosphere and spirit that exist at a plant spring. He sounds the note for the others to follow. If he is reactionary, a liberal labor policy is impossible. Even if he has the will but lacks courage, initiative or social ingenuity, a policy of experimenting with newer labor methods will not be carried through.

The surest evidence, however, that the psychological attitude of the managers is important is this: if the group in financial control or the major executives are more enlightened than the local executives, they are apt to have a real uphill job in winning over the lesser officials to their way of thinking. A banking management with which I am particularly familiar, constituting so-called "absentee landlords," has often found it difficult to get modern labor policies adopted at the various plants under its financial control. In other words, bankers are confronted with just the problem we are discussing. One of the first impressions I had of such conditions was a conversation with a well-known labor authority, director of industrial relations in a large mining corporation. It was astonishing to hear the difficulties he encountered in getting the local superintendents and general managers of the several plants of that organization to co-operate with him or to adopt modern methods, although at the instance of the central office it was his duty to install them.

An interesting example of this kind is the difficulty Mr. Arthur Nash had in converting his executives to the conclusion that his workers should join the Amalgamated Clothing Workers. A report on the matter states that some of the executive staff and the foremen resented the fact that the head of the firm had reached a decision opposed to their own.

> For two days and nights they went about among the workers, haranguing against the union, challenging Mr. Nash's wisdom. It was not until noon of December 10, at a great mass meeting of all the thousands of employees gathered in the Shubert Theatre in Cincinnati, that Mr. Nash was able by the most impassioned personal appeal to win a majority, including the leaders of the opposition—among them two vice-presidents—to support his request that the working out of a plan be left to him and President Sidney Hillman of the Amalgamated. . . . Those three days, December 8, 9, 10, were tense with excitement. The workers were confused, many of them struck dumb, by the open division between the foremen and manufacturing executives and Mr. Nash.[1]

Take another example: Suppose the directors have decided to adopt a modern scheme of employee representation. Unless the resident manager is sympathetic and has studied such plans elsewhere, unless he affirmatively wants it and

[1] Robert W. Bruère, "Golden Rule Nash," in *The Nation,* January 6, 1926, p. 10.

knows how to apply the plan, to introduce one over his head will be futile. If, however, the manager desires to adopt such a plan, there is a reasonable probability that the executives at the home office will not interfere with him. The cases in which a reactionary labor policy is forced upon production managers are not by any means as frequent under our modern structure as is generally supposed. It is occasionally true that the whole tone of an organization is largely colored, as is commonly said, by the temperament and attitude of the "old man on top," but the administrators in the field can exercise considerable independence of action if they have the ability and background to act on their own initiative.

The neglect of financiers of a liberal type to promote certain desirable policies by fiat, is due to a reluctance to interfere that is based on the sound administrative principle of the delegation of responsibility. It is also due to the fact that they are specialists in financial matters and do not feel competent to handle personnel problems.

Major executives, on the other hand, can probably do quite a good deal to overcome the prejudices of the local production executives, but there are limits. They find it bad practice to go over the heads of these local production executives and they cannot always succeed in re-educating them.

It was formerly customary in some quarters

for local executives to feel that they were in honor bound to resign if there was any interference with their labor policy by more objectively minded central office officials. It is not only in connection with the labor problem that this impatience with interference is manifest. Local officials will resent the injection of outside experts into any situation which they are handling, even on subjects wholly disassociated from labor matters, say, technical questions. And, indeed, there is something to be said for the advantages of a certain amount of decentralization and not too much interference with local control.

Sometimes resident managers are influenced by the attitude of other managers of the same rank in the same district, and there may even be an attempt by such a group to force a conservative policy upon more liberally minded managers. If a manager tries to be more liberal than his fellow managers in the same district, there may be an attempt to ostracize him or to exert social pressure upon him. But this attitude cannot be ascribed to capitalistic consciousness. The attitude is inspired by the type of administrative positions occupied by the individuals. The same reaction may be observed among officials in a non-capitalistic activity. It may be due to a difference in interests between the executive and the working groups because each happens to have a different status in the organization. The ex-

ecutives resent the challenge to their authority. It applies just as much to such non-capitalists as school superintendents or government officials as it does to the capitalists.

Natural Autocracy of Leadership

The attitude of the executives may be explained in large measure by the natural autocracy of leadership. This trait is not to be attributed to capitalism. Although the point was made, in passing, in a previous chapter, it is worth amplifying here, for it is basic in our discussion.

An effective, forceful leader, because of his very nature, does not want any rivals to his authority. His desire to be autocratic may be a reaction to his enforced submission to authority during early life at home, as was previously suggested. If he is a vigorous individual, his tendency to be autocratic may vary directly with the severity he met with as a child. Grown up and free from this repression, he revels in exercising authority over others. It is not unlike the episode of Cleopatra, in Shaw's play. Shown by Cæsar that she could assert herself as queen rather than let her nurse dominate her, she loses no time in wielding her whip.

One manager in charge of a mine in a small town in Texas recently was promoted to a mine in a large town in Montana. A friend of his asked him how he liked his new job. His reply

was to the effect that it could not compare with his former position. In response to questioning, he said: "Formerly, when I stepped out of my office into the town, even the street 'teetered' before me. In this large town nobody knows me." It is an interesting illustration of the desire on the part of the salaried executive for power and for constant recognition of his standing as a petty czar.

Leadership is naturally aggressive. There is the germ of autocracy in every leader, from the college president to a labor union leader. The theory that consultation of one's subordinates is best for all concerned is a modern conception,[1] and is a by-product of our modern democratic belief that it is best for getting results and for the self-development of those led. At present the wise leader who understands the advantages of consulting subordinates is exceptional. The policy requires a certain degree of social development in the subordinates. There have been relapses to the aggressive type of leadership even in the political field, as in Italy. One of the great barriers to a more rapid improvement in rela-

[1] I remember hearing a prominent manufacturer bewailing the good old times when there was no corporate organization and there was the "personal touch." Yet in his own organization, which was still fairly small with a "personal touch," he was introducing such "new fangled notions" as works councils, etc. He failed to see that the real reason for a different approach was not the large-scale organization but the new desire for the right to be consulted and his own appreciation of the value of acceding to it.

tions between employer and employee has been the disbelief of many well-meaning executives in the value of counsel with their subordinates. At the expense of anticipating later discussion, there is value in emphasizing this here, in the treatment of executive psychology.

Though the attitude has not always been frankly acknowledged, there has been a feeling among many executives which could be best expressed in the brutally frank phrase used by a hardened executive, "Shut up, we will do your thinking for you." Even Lenine himself was not enamoured of the principle of consultation. And he was ruthless as to strikes. He said: "Responsibility for the pangs of famine and unemployment falls on every one who violates the labor discipline in any enterprise and in any business; those who are responsible should be discovered, tried and punished without mercy."[1]

Impatient to get results, executives forget that in adding machines the response is automatic but that from human beings co-operation must be developed. They resent the expenditure of time required. Sometimes the non-capitalist managers are the less enlightened. I venture to believe that Mr. Willard, of the Baltimore & Ohio Railroad, is more enlightened in his management than was Mr. Stone, of the Railroad Brotherhood, in his policy with respect to the mines

[1] Address of Nikolai Lenin, in June, 1919.

owned by the Brotherhood in West Virginia. I have no doubt that Mr. Filene is more forward-looking in the organization of his personnel than the committees that manage the English co-operatives.[1]

Of course, the ordinary impatience of executives with interference is complicated in the industrial field by certain manifestations that might be considered a product of capitalism. For example, the "castle" idea of industry, which was the vogue in the early nineteenth century, that each employer's factory or enterprise was his private domain, free from interference. This idea is a sort of perverted individualism. Business is coming more and more to be considered as having communal aspects. The expressions of business men on this score, though sometimes merely designed to give lip service to the idea that the individual feudalism is a thing of the past, are healthy signs of a recognition of the new attitude.

[1] I cannot refrain here from including still one other observation on this important point, taken from Beatrice Webb's interesting autobiography, (*My Apprenticeship,* New York, 1926). She states: "In attending the committee meetings of local stores or lunching with the directors of the Co-operative Wholesale Society, I noticed that they were completely absorbed either in discussing what their members were buying and would in future buy, or in discovering how the commodities or services could be produced at a lower cost and of a better quality. . . . The natural bias of the committees of management, like that of all administrators, was to 'maintain discipline' and keep down cost of production. They inevitably tended to ignore the way this maintenance of discipline and lowering the cost of production might affect the daily life of the employees." (p. 374.)

Much of the reluctance of the executives to share authority is easy to explain on other grounds. One of the advantages of capitalism to him is that, under its unified but decentralized control, there is a single leader to look to who is interested in the details of the project. The executive can count on the "man at the top" to "back him up" in time of stress, and to reward him for good results. The alternative which the executive fears is to have to deal with a group of people with divergent interests, with whom he will have to play politics in order to maintain his position. In the psychology of the industrial executive, therefore, one must take account of his aversion to anything that has a semblance of "politics."

It explains also the resistance to unionism which is so strong among executives. *There is usually more prejudice against unionism among resident managers and local superintendents and foremen, than there is in the home office among the upper executives and directors who constitute the "capitalists."* The lower executives bitterly resent this interference with their right to be "boss" of their domain, which they feel is one of the perquisites of their position. This resistance to interference applies even to such a matter as a simple employees' conference committee. Several firms have had great difficulty in getting the superintendents and foremen to co-

operate in the operation of shop committee plans, as reports of the Russell Sage Foundation illustrate.

Returning to the problem of mental hygiene, let us examine the individuals with whom we are concerned. There are employers or contractors who own their plants and manage them directly, and there is a heirarchy of salaried managers, superintendents and foremen. We have backward-looking and forward-looking executives among them; chauvinists and liberals; those who believe in fighting on all fronts and those who realize that those problems call for constructive qualities of leadership. And the problem of mental hygiene is how to evolve the second type.

How can this be accomplished? The answer would seem to be, first, by removing certain obsessions and traditions from their minds; second, by setting a new fashion in leadership; and third, by conceiving the training and development of leadership in broader terms.

We must change executive temperament by developing different behavior patterns. We have, to this point, stressed the contention that the attitude of industrial leaders can be explained in part by certain innate psychological characteristics, by a natural arrogance of leadership arising under any system. In addition, there is an acquired attitude due to a traditional environment and to obsessions resulting from the industrial

relationships of the present system. It is the conjunction of the two elements, a natural autocracy and an acquired attitude, that explains why the leaders of today act as they do.

Class Consciousness of Employers

Though employers come from dissimilar environments and in many respects are affected by dissimilar influences, in one respect they seem to have the same emotional backgrounds. They are, in most cases, *class conscious.*

To suggest that employers are class conscious may seem strange. Writers who dealt with the subject of crowd psychology in the past usually pointed to the poor, to the non-privileged groups, as if they alone invariably constituted the crowd. This has been the every-day assumption of the man on the street, one of the conventional "stereotyped" ideas. It is one of the accepted hypotheses from which we habitually reason. Mr. Everett Dean Martin, in his *Behaviour of Crowds,* has conclusively shown, however, as have others, that there is as much crowd psychology among groups of the well-to-do as there is among less favored groups, that the tendency to have a fixed set of ideas and to approach some subjects in a mob spirit, is not confined to any particular stratum of society.

Those who have an opportunity to discuss industrial relations with employers will probably

agree that, often without being aware of it, a large proportion of employers and executives are class conscious. When an issue comes up concerning the labor problem, they do not think; they feel. They may approach other problems in an objective, even a scientific spirit, but on labor questions they quickly strike an attitude. How differently executives will react to difficulties interposed by physical causes and to difficulties interposed by human situations![1] In the former case they usually display poise and patience. In the latter they too often give way to a futile exasperation. The capitalist and labor groups regard each other somewhat as might one hostile tribe or hostile nation another. As a result, when difficulties arise within the economic system, instead of attempting to go to the root of them and to solve them constructively, the tendency is to heap the blame upon the opposite camp.

To say that employers are class conscious does not mean that they have any real understanding of Marxian ideas. Indeed, as is also the case with most class conscious wage-earners, intensity of

[1] Graham Wallas, in discussing the subject of liberty, stresses that what we mean by liberty is not freedom from interference with physical causes but freedom from human interference. "Common usage refuses to say that the liberty of a Syrian peasant is equally violated if half of his crops are destroyed by a hail of locusts, half his income is taken by a Turkish tax-gatherer or half his working hours are taken for road construction by a German or French commander; because human obstruction of our impulses produces in us, under certain conditions, reactions which are not produced by obstruction due to non-human events."—(*Our Social Heritage*, Yale University Press, 1921, p. 160.)

feeling is not founded on intellectual convictions. This feeling that there exists an innate antagonism beween masses and classes is, to a large degree, unconscious. In the case of employers, it is to a large extent an emotional precipitate of the flow of literature and propaganda of a Marxian flavor.

What influences have made the employer class conscious? The following theory may be a clue.

History shows that every social and economic system has been subjected to criticism. The capitalist régime, in an era of political freedom, has probably been subjected to more universal and more continuous attack than any other system. Whether justified or not, this criticism has constituted a ceaseless moral offensive. Employers have been made to feel that they are the oppressors. This feeling is in contradistinction to the inferiority complex and persecution mania of workers. Because under this system the leadership is constantly under the charge of exploiting its subordinates, inner feelings of uneasiness or guilt, which modern psychologists claim we all possess within our unconscious areas, have been stirred up.

Thus the relations of employers with labor are tinged with an unpleasant emotional state, which makes the whole subject disagreeable to them. Consequently, as with many distasteful subjects, there is a tendency to neglect labor relations.

This tendency may be compared to the *flight from reality* that we find in a person, particularly one who is neurotic, who does not want to face a disturbing situation.

The employer reacts in one of several ways. The whole matter may be left to subordinates to handle, who use archaic methods handed down from generation to generation. Workmen are employed and discharged by foremen. Favoritism or nepotism may be the rule. Modern methods of promotion or of job analysis are unknown. The personality of the laborer is ignored and "labor" is treated en masse as a sort of wholesale gelatinous commodity. Employers who in other matters insist on modern scientific methods will be satisfied with "old wives' tales" as formulas for handling labor problems.

In place of this attitude of neglect, the class conscious spirit in other cases takes on an aggressive form, a "hard-boiled," "die-hard" spirit. The employer then takes the attitude that most workers are lazy good-for-nothings who are merely looking for a chance to "do" him. He makes the same kind of error as the radical wage-earner who lumps together all people of wealth as robbers and scoundrels. Picking off "agitators," fighting all attempts at unionization, and other direct methods result. Success is measured by the extent to which these measures keep the labor force submissive. This spirit is often

fanned by incendiaries among the employers who seem to enjoy stirring up class antagonism. One suspects a pathological quality in their fanaticism. Such employers are every bit as dangerous demagogues as those against whom they harangue.

On employers of a different make-up, there is still another effect of class consciousness. They adopt an attitude of benevolent paternalism, sometimes with a mixture of Prussian sternness, sometimes with an element of the religious and the sentimental. To borrow a term from modern psychology, there is a type of employer who in a sort of evangelical spirit "over-compensates" for his own class consciousness, by a desire to do good to his people. It was in this mystical mood that a good deal of the welfare movement was conducted. Some called it "playing Santa Claus" to the worker.

Thus the very class propaganda which was supposed to be a step in the ultimate solution of the labor problem has engendered an emotional surcharge which has caused many employers to dabble in superficial matters and to be diverted from the most important aspect—the scientific study of the art of management, particularly labor relations. Welfare work, profit sharing and similar methods are good of themselves, but are quite inadequate as substitutes for more fundamental matters.

The employer is an agent of the community who has assumed certain definite responsibilities. More and more public opinion so regards him. One of these responsibilities is to secure reasonable satisfaction of his working forces. The fact that they are *hard* to satisfy is no sufficient answer. It is up to the executive to face this situation and overcome it, as he would any other obstacle.

Employers pride themselves upon being the responsible class, the captains into whose hands has been given the piloting of the economic ships. They pride themselves upon possessing the equipment, the mental and moral make-up, the traditions, and last, but not least, the self-control which justifies them in directing the industrial organization of this country. Because they have been given what they regard as superior experience and training, they feel it would be dangerous to turn over the command to others. They are impatient, and often justifiably so, when dabblers and inexpert amateurs offer *a priori* panaceas with which to solve their problems, or fumbling hands attempt to interfere with the delicate mechanism of the industrial processes. This very superiority in training and experience would seem to carry with it certain obligations. They should start afresh in a constructive and scientific spirit to discover what it is that wholesome employer-employee relations

require. The industrial executive should strive as hard to secure results in human relationships as he does in production, sales, finance or technical research.

Creation of a New Fashion in Leadership

This will, in time, lead to a new fashion in leadership. Experienced business men know that in business relations a certain amount of imagination is necessary. The ability to see the other man's point of view is what distinguishes the broad negotiator, the big business man, from the petty, hard trader. A negotiator who brings this quality to his activities is not called sentimental. We rather admire this quality and point to it as a badge of success.

But when it comes to human relations with the rank and file of labor, such a breadth of view is often characterized as soft and sentimental. This view is held not merely by executives of narrow imagination, but by others who should know better.

Recently I was discussing problems of management with a well-known executive. Towards many different phases of the subject he indicated a breadth of approach and a lively enthusiasm. On one point, however, his attitude was curiously inelastic. This was with respect to labor relations. He admitted that a certain amount of "system" is necessary in matters affecting wage-

earners, but otherwise a rough, "he-man" treatment is what he suggested. He did not seem to realize that relations with human beings are not susceptible of solution through the rigid formulas that are applicable in some other management problems. To him everything was a frill which did not fit into his philosophy.

This attitude is illustrated by the unexpected but frank reply elicited by an important employer of labor in enunciating the first principles of proper organization methods to another employer. After he had expounded to him at length the means of securing the good-will and satisfaction of his employees through sound organization technique, the listener dismissed the subject with the remark: "You have your fads and I have mine." The latter simply could not see the management of men as a major problem.

Why should interest in human relations be regarded in some quarters as a sort of weakness in an executive? Why should problems of "industrial politics" not be regarded as of the same business importance as other subjects? A clever trader, financier, or salesman is apt to be invested with a greater prestige than a man who is clever at organizing people. Some one said, perhaps half-humorously, that in Western Canada it is a mark of culture to be an authority on real estate values. Similarly, in the business world, the man who can discuss large questions of economics,

finance or investments, is regarded with marked respect. On the other hand, the man who has made a study of employment psychology or other labor questions and can discuss such problems ably is regarded, at best, as no more than an interesting figure.

In the civic world we hear a good deal about our "best citizens" neglecting politics. It is true in this country that governmental politics does not sufficiently interest the intellectually and socially influential groups. But it is perhaps even more true that industrial politics, that is, the best methods of organizing people in a plant, has been neglected by strong business groups. A particular employer who has gone in for a good deal of welfare work, may attain a certain glamor as a quasi-philanthropist, but this is a different thing.

A department store executive, in an article in *The New York Times,* of July 12, 1925, states:

> Officers of the company are generally connected with and more interested in the merchandising end and, naturally, the merchandise suffers very little, because of the close contact and personal interest that is given this particular phase of the business. Salespeople, the store's direct representatives to the people, do not seem to interest the officers of the company as do merchandise and sales promotion and, naturally, this particular and most important part of the organization is neglected.

Now, executives and business men desire to be active in those affairs which will give them

prestige in the eyes of the community. Like boys at college—and it must be remembered that active business men are often emotionally grown-up boys—executives like to be prominent in affairs which are generally regarded by their equals as important. Men in active life, as differentiated from philosophers, are disposed to make life a series of games. In fact, in colloquial speech, we hear of men playing the financial game, the publishing game, the law game. Is there any hope that in time they will learn to play the human organization game?

The problem is largely that of securing a new emotional orientation toward the subject on the part of our employers and our executives. Instead of boasting of the size of their plants, the quantity of their output and the amount of their profits, they must be induced to boast of the excellence of their methods of human organization. Their sporting instincts must be diverted in this direction. We must secure competition in good organization. Social ends are usually by-products of private ends. The average man is more energetic in pursuing his own ends than in pursuing social ends, and we must combine the two.

This is not impossible. In fact, it is beginning to come about. Without suggesting the presence of a specific instinct of workmanship, which, psychologically speaking, is probably nonsense, normal men are interested in the constructive side

of their activities as well as in the selfish and purely sporting side. A fisherman is interested not solely in catching fish, but also in having them enjoyed by his friends and family. Anglers will testify to the lack of zest in catching fish that cannot be used, say because of the isolation of the place where they are caught. Executives are interested in profits partly because they furnish them with the "good things of life" but also largely as a measure of achievement. They are interested in business as an adventure and it remains to emphasize the constructive possibility of this adventure. The difficulty has been that they have not envisaged this particular task of human organization as an important job for a big man.

One of the important ways of improving the employer and employee relations would thus be to have the subject of how best to organize men and women in industry made a "fashionable" subject among executives.

If every production manager were alive to a thorough realization of his duties as an assembler of man power, if every production manager could be trained to be a skilled and liberal organizer of men, we would go a long way to solving our difficulties. It is a question of creating among managers new stereotypes of social behavior. Aside from the advantage of profits which springs from good management, employers can become interested in the development of good-will among their

workers, and will boast of this as they do now of their other successes.

For, as we shall indicate in a later chapter, one way of looking at industrial leadership is to regard it as a responsibility for developing the careers of subordinates. The rank and file of workmen are interested in their careers just as much as men in more advantageous positions in the economic life.

When the style of leadership improves, even the most reactionary elements in industry will be affected by the change in fashion. We see similar effects in other fields. Even in Tammany Hall, a certain spirit of "delivering the goods," of making good on the job, has begun to replace the old predatory spirit. The general testimony is that despite the continuing Tammany régime, the character of work performed by civil servants appointed through its agency is at present much more satisfactory than the slovenly performance of previous periods.

Mr. Walter Lippmann, in addressing the National Municipal League, is reported as saying:

"I think we may assume that Tammany is no better and no worse than the ordinary political machine, and if we notice a vast change, as I think we must, in the character and leadership of Tammany in New York, I venture to say that similar changes are taking place in other city machines. I don't think Tammany was ever

unique in its evil and I don't believe now that it is unique in its undoubted improvement.

"You won't find the new generation of Tammany men spending their time in the bar rooms on the Bowery," he said, and recounted that at a small dinner of Tammany leaders, which he recently attended, the discussion centered more upon an observation by Dean Pound of the Harvard Law School on law and morals than it did on politics.

The professional politician, he said, is ceasing to be a thick-skinned social outcast, and is now somewhat of a thin-skinned individual, anxious to stand in well with the newspapers and the leaders of his community.[1]

Once the problem of organizing human beings has been invested with the prestige that will arise from the awakened interest of major executives, it will seep down through all grades of executives. It is a problem which must be understood by the entire hierarchy of executives. The proper treatment of this subject at professional schools, such as engineering and business colleges, will prove an important element in arousing more interest than has been manifested in the past. And to this aspect, the training and development of industrial leaders conscious of their responsibility to the human beings they control, we now turn.

[1] *New York Times*, November 19, 1925.

CHAPTER IV

THE EDUCATION OF THE MANAGER

In the last fifty years we have heard repeated over and over again the cry "if only labor leaders were better educated!" By the proper education of the workman and of his leaders much, it has been hoped, would be accomplished. Education, cultural and economic, of the adult workers is excellent and deserves the widest support. It is, however, a slow process, and this movement alone cannot furnish the means of substantially improving industrial relations in the near future. The modern workman has, it is true, an awakened imagination. He should be given a larger voice in matters affecting his status and his particular work. *But it is the employer, as the one responsible for administration, that must initiate him into his new rôle.* When it really comes to bringing about team-work in our industries and the proper adjustment of the individual to his job, it is the employer, the managing executive, not the trade-unionist, that is the important factor.

The education of the employers in employer-employee relations would, therefore, seem to be of at least equal concern with workers' education.

I put it up to a well-informed employer who, in his very complicated industry has gone as far as any one in working out constructive policies. His answer was: "It is just four times as important." Yet, up to very recently, the education of executives in the proper methods of handling personnel has been almost wholly neglected.

The Manager in the Making

The education of managers should begin with the manager in the making—the embryo executive. Progress cannot be rapid in making managers conscious of their responsibility as leaders and organizers if efforts are confined to those who are already in executive positions. Too many of the present group of managers have acquired strong and stubborn habits during their fight to the top. Some of the worst offenders against the men under them are managers who have risen from the ranks. The findings of modern psychology and psychiatry conclusively prove that the early experiences and environment of a child largely determine his social behavior as an adult. In the same way, the behavior of the manager is in no small degree determined by his preparation and training for his job.

In speaking of employers one must, of course, discriminate between the executive in a large business and the small business man who is himself the manager and has relations directly with

the superintendents and foremen under him. The former type of organization is each year absorbing a larger proportion of industrial activities. It is well, therefore, to consider the problems which face the executives and directors in a large industry. In these larger organizations there are, roughly, three groups affecting production: the directors and major operating executives; the resident managers who have charge of production in the local plants; and the superintendents and foremen under the manager.

Let us suppose that those in charge of a firm have passed the stage where they feel that mere railing against the closed shop and petulant complaining against restricted efficiency will solve their problems. They decide to liberalize and modernize their labor policy. Having defined such a policy, they endeavor to discover the means of putting it into effect. At the outset they will almost always find themselves confronted with the fact that it is necessary for them to convert those in charge of the local plants. If they find the local production manager sympathetic, they are apt to find him untrained to understand and to adopt newer methods. Just as in endeavoring to effect any other reform, it is a matter of securing and training the proper personnel to put it into effect.

It is therefore particularly important to note that, more and more, those who are given the

responsibility of managing local industrial plants are graduates of technical schools. It is becoming increasingly evident each year that a large part of the industrial leadership of the country must come from the engineer-managers, who have succeeded the old owner-managers. Dean Kimball, of the Cornell Engineering School, estimates that 75 per cent of the graduates of engineering colleges subsequently occupy managerial positions in industry. This is due, in part, to the fact that business is changing from the small employer-owned business to large business run by trained, salaried men, the graduates of technical schools. In larger part the infiltration of such men is due to the increasingly technical aspects of our modern production methods. This tendency probably will continue, for large-scale production methods are spreading and are lending increased importance to labor-saving devices.

The local production manager is, therefore, in the "key position" in the handling of the every-day labor-problems. Hence, the clue to the situation is to see that, whether he be graduated from high school, college or professional school, he be made alive to the modern methods of attacking a problem, and free from the left-over prejudices of a past era. As a result of such preparation, the production manager will, without any urging from above, adopt modern and enlightened methods. We will have the healthy

situation, as is now the case with regard to technical progress, of his pressing the adoption of modern methods, rather than being forced or urged to adopt them by the executives on top.

As suggested in a previous chapter, even if the directors and executives at the main office have the inclination, time, and sympathy to study the details of the local labor problems, there are limits to what the central office can do when once an unsympathetic attitude is crystallized at the plant. Those at the home office may feel that it is wiser not to interfere with the work of the manager in charge. Labor problems are so interwoven with the daily routine and with other operating problems, that the directors and major executives at the main office do not have the intimate knowledge of the *nuances* of the situation which would make them feel justified in interfering. Of course, results may be obtained by the absentee owner or chief executive in the home office despite the lack of interest on the part of local officials, but this method usually means a long pull. In the end the results achieved in this way are not nearly as satisfactory as those secured when local production officials are so much interested initially that they need no urging.

At one time a great deal was made of the possibilities of developing the profession of employment management; and it is true that this de-

velopment represented a long step in the right direction. But it was soon found that the employment manager was helpless unless the general manager in charge of the entire plant had sufficient background to make him sympathetic with the purpose and operation of the personnel department. In cases where he was not responsive, he could block any efforts at modernization that the personnel manager attempted to introduce. Some went so far as to suggest that the personnel specialist should have jurisdiction coordinate with the man in charge of production or finance. In the few establishments in which this plan was tried it proved impractical from an administrative point of view.

The management of human relations must finally rest in the hands of line officials—the regular production executives. There is no clearly marked boundary dividing personnel from production. It has come to be recognized that it is bad practice to separate personnel activities from operating functions, and that it is best to make production executives responsible for their problems of human organization.

The industrial relations department then becomes chiefly educational. It must bring its influence to bear through the operating heads rather than independently. The personnel man must work either as advisor or as assistant to the line official. The regular operating managers

continue to be responsible for the management of human relations.

It is therefore especially significant that managers are so largely products of the technical schools and that foremen too are now being recruited from this source. For if these engineers are so frequently nominated to management, not only the technical problems but also the management of the human relations at the various plants are in their hands. It is futile to attempt to make any progress in problems of human relations over the heads of these engineers, and the question is: what preparation have they had for their jobs?

At present, they come from college without any definite training in leadership. An individual manager may, because of his particular personality, be greatly concerned over the development of sound industrial relations, or he may utterly dislike the subject.

Mr. Herbert Hoover said in his *Principles of Mining,* written more than fifteen years ago: "In these days of largely corporate proprietorship, the owners of mines are guided in their relations with labor by engineers occupying executive positions. On them falls the responsibility in such matters, and the engineer becomes thus a buffer between labor and capital." [1]

A background limited to physics, chemistry, mathematics, mechanics, metallurgy and mining,

[1] p. 167.

does not equip a man to act as a "buffer between labor and capital." Some engineer executives study the routine problems, the side of good management that has to do with systematic methods, but neglect what may be called the political aspects. They have a distaste for the inexact "art" of handling human beings and tend to ignore it for the sake of problems more intellectually fascinating to them. But some training in psychological problems and the mental attitudes of men, particularly of unsophisticated men, some knowledge of modern sociological tendencies, some grasp of the incentives that make men act, some acquaintance with the history of trade unions, and some understanding of the technical side of human engineering would seem to be requisite in the future administrator.

I could give many instances in which the adoption of really modern labor methods was blocked by the lack of understanding on the part of the technical managers, superintendents and foremen in charge. In one large concern, in which a great deal of thought has been spent in the attempt to improve the human relations, an elaborate plan was devised by the executives at the central office for the industrial government of the enterprise. But the program was not successful because the line officials, the managers and superintendents at the various isolated plants, did not understand modern methods of managing men.

I have a case in mind where one manager succeeded another at a certain plant. Both were received with the same amount of good-will, but one understood how to organize human beings and the other did not. The contrast in the morale of this particular organization under the successive managements was indeed instructive. The second manager had a thorough understanding of the job of leadership and there was a dramatic increase in production. In another instance, in a Western state, trouble arose which was almost entirely due to the mistaken attitude of the local manager.

The evidence is clear that the training given by our engineering schools does not adequately equip a man to handle so-called "human engineering." Industrialists have found that the men who come from such schools are excellently prepared in technical subjects—matters having to do with inanimate things—but woefully unprepared in the art of developing the human beings under them. This is a matter of common experience; but an excerpt from the report of the President's Mediation Commission (which, in the early stages of the war, under the chairmanship of Secretary of Labor Wilson, visited a number of our Western communities in which there was industrial unrest) may be of interest in this connection. In mentioning their observations in the mining districts of Arizona, the Commission said:

"The managers fail to understand and reach the mind and heart of labor, because they have not the aptitude or the training . . . for wise dealing with the problems of industrial relationship."[1] The managers in this case were mostly engineers.

Is this lack of training justifiable? Financial and technical problems may loom larger on the surface and they may be more fascinating from an intellectual point of view. But to consider the problem of human organization as therefore of less fundamental importance is to have an entirely false sense of perspective. To use an analogy, in the engineering field it is not always the large parts of the machine that cause the trouble. Engineers have concentrated much attention upon the perfecting of the bearings and working parts of machines, because it is only by solving the problem of friction that certain machines have been made at all practicable. Following this analogy, there is no problem of greater importance for a sound perspective than making certain that the bearings of our human industrial structure are properly designed, properly constructed and properly adjusted.

Definite preparation in the principles of industrial relations is essential. Business heads are constantly looking for executives who combine technical qualifications with a grasp of modern

[1] President's Mediation Commission, *Report to the President of the United States* (Washington, Government Printing Office, 1918), p. 4.

methods for securing the co-operation of employees. The combination is so infrequent that the situation is embarrassing.

Of course, the capacity for handling human beings depends, to a large extent, upon a magnetic personality. The vital buoyant type of individual, "the good mixer," is more apt to be a natural organizer than the more retiring, thinking type. Many engineers have this native capacity, but it is important that any natural aptitude for leadership should be developed rather than repressed. The English tradition of education with limited imagination, which has produced the modern "die-hard," is unsuited to our democratic age. The desirability of a spirit of geniality, good-will, fairness and a genuine sense of democratic relationship, on the part of management, is beyond question. It is axiomatic that such qualities are vital in modern leadership. But these alone are not sufficient. For in the large organizations of today they must be expressed in policies requiring systematic methods for their execution.

I know of several instances of graduates of technical schools, who had become managers of important plants and who apparently had all the temperamental qualities necessary for leadership, but who failed to make a real success in dealing with their employees. It was because of their lack of interest in the personnel problem—a lack

of interest which they frankly acknowledged. The executive who is fond of solving knotty technical problems is not necessarily one who is interested in handling people.

Indeed, it appears that the training of the engineer solely in the reactions of dead matter, has tended to cripple his native capacity in handling human relations. A narrow technical education limited to the quantitative sciences does not help a man to assume the leadership of men. We have not yet come to the point in our social sciences where human reactions can be weighed or measured. Such a training retards the development of imaginative understanding so vital in human leadership.

The following excerpt from an article which appeared in *The Atlantic Monthly*[1] from the pen of the English manufacturer, Mr. B. Seebohm Rowntree, is interesting in this connection. Mr. Rowntree during his visit in this country in 1921, took occasion to go through a large number of the manufacturing establishments in the northeastern portion of this country. His observations follow:

> No one can carefully observe modern industry without being struck by the difference between the way in which the average employer approaches the solution of technical difficulties in his business and the way in which he approaches labor difficulties.

[1] April, 1922, pp. 467-8.

I have just visited a large number of factories in the United States, and I have been amazed by the high degree to which research departments have been developed. . . .

But when the heads of these factories pass from the technical to the human problems of industry, the scientific spirit seems to leave them. Their dealings with "Labor" are comparatively crude and unscientific, and are characterized by the very "rule-of-thumb" policy which is so rigorously avoided in connection with technical problems. There is none of the spirit of the explorer, of the research student, in the dealings of the average employer with labor problems. He is inclined to take things for granted—to accept theories which he has never examined.

Such a statement is interesting, coming as it does from a man who is a close student of labor problems, one of the authorities on that subject in England, and who himself has a plant that employs upward of seven thousand persons.

A number of engineers, though a small minority, realize that this statement is true. One of these, Mr. Corless, of the Mond Nickel Company, in a paper which he read before an engineering society, said: "A question that deeply concerns us as engineers, managers, or superintendents of industrial enterprises, is that of efficiency. In this matter, I fear, we have much blame to accept for narrowness of view. Because of our special training in the natural sci-

ences and their application to industry, we have confined our attention altogether too exclusively to machines, to processes, to arrangement of plants, and to the external forms of organization. We have paid far too little attention to the 'imponderables'—to ethical standards, to psychological conditions, and to the mental attitude of those on whom real efficiency must finally depend."

It is to be noted that substitution of the technical manager for the owner-manager of broad general experience is not necessarily undesirable from a social point of view, if certain factors are taken into account. This substitution can have certain important advantages. The so-called broad-minded owner-manager was no doubt more a man of the world. He was preferable to the type of narrow specialist too often turned out by technical institutions—men dehumanized by the very intensity of their application to routine studies. But, on the other hand, a man who takes up engineering does learn to be dispassionate and objective. He is taught to seek the truth undisturbed by prejudice or preconception and to be thorough. The old-fashioned owner-manager has too often been hampered by the conventions of his class. He may have been "human," but surely it was a dogmatic humanity. The scientific approach of the engineer, however, is unfriendly to intolerance. Engineer-managers who have

combined with their knowledge of the material sciences a scientific study of human relations, are usually superior to other industrial managers in their approach.

If I may review my contentions in this chapter, I have pointed out that we have to face these four facts. *First,* the increasing importance of engineers as industrial executives; *second,* the fact that the management of labor relations is largely in their hands; *third,* the overwhelming importance of a proper administration of these relations; and *fourth,* the lack of preparedness of engineer executives to handle these matters properly.

The remedying of this situation must be put up to engineering educators. The training given to the future engineers must be greatly broadened. For a man's interests are very largely formed and crystallized at the professional school which he attends. He regards as important in his future professional career those things which are impressed upon him as important during his attendance at his professional school. Everything that is not included in it he is apt to regard as a fad. A questionnaire sent out to engineering schools by a sub-committee of the American Management Association, in 1924, indicated that in many cases the educational authorities have been so busy with purely engineering matters that they have neglected the matters of human

relations. Where the subject was handled at all, a separate course was provided for those who expect subsequently to be interested in industrial management. Students are referred to this separate industrial management course not as an integral part of the engineering course but as an "elective" for those interested. Being outside the usual routine, very few students elect the subject.

This points to the need of introducing into the curriculum of every technical institution, for those students who by any possibility may in later life have charge of men, thorough courses in social science, in the modern analysis of labor relations and in the technique of labor administration. Such courses should be "required," and should be thoroughly understood to be an integral part of the training of the students. If in planning the work of those students who by any possibility may in later life have charge of men, the trustees and faculties of technical schools are willing to sacrifice a certain amount of instruction in subjects involving purely physical problems, and to devote an adequate number of hours to social economics and the modern technique of handling labor, they may develop a new type of industrial leader.

In human engineering there are both technical and human, we might say "political," sides, which must have their proper place if success is to

be attained. To illustrate: the technical side comprises all such devices as scientific management, time- and motion-studies, labor-saving devices, and the like, while the "political" aspect includes the installation of schemes of employee-representation, popularly known as works councils or shop committees, the entering into relations with trade unions whether in the form of collective bargaining or otherwise, and, generally, the maintenance of a good morale through personal leadership. A sincere interest on the part of the manager in his fellow-workers is valuable not only as an industrial asset but as a social one, for his influence can affect the tone and progress of the whole community.

There is already an imposing literature and a group of specialists on each one of these subjects, to all of which engineering students should be given an adequate introduction. I say introduction because it is obvious that it is impossible to give the student more. The subjects are necessarily empirical, and only trial and error and actual practice will furnish a thorough grasp of them. As with any other problem, the first essential is to give him a background and awaken his interest, so that when he is graduated he will appreciate the importance of his problem and will be anxious to keep in touch with the most modern technique.

One of the main benefits to be achieved by a

proper training of the engineering student is, as already suggested, that he will convert the man on top, rather than wait to be converted by him. He will adopt, without prodding from above, any modern device which he thinks will bring about better workers, better citizens, better morale. He will persuade his directors and executive officers to let him go ahead with such plans, just as he has been able to persuade his directors in the past to allow him to install experimental improvements in metallurgical and mechanical matters. A great deal of improvement in technique and processes, as we all know, takes place under the nose of the owners of industry. Just as civilization generally is changed by the unheralded processes that go on quietly but steadily, our employer-employee relations may be changed quietly but steadily by better leadership and better personnel methods developed by our managers. In the economic field, much more important and effective than all the outside research work in industrial relations, are the experiments that are carried along at individual factories. In fact, the latter form of experiment is more easily carried on as a matter of trial and error than as deliberate research. It is for this reason that progress in industrial relations is to such an extent limited by the interest in this subject on the part of the local production manager and his staff.

A manager with the right background and a persuasive personality will not wait for demands or strikes. He may make it his business to persuade his directors to allow him to raise wages or to cut down excessive hours, by showing that it may mean more profits. Where the union leaders have a disposition to be constructive and co-operative, he will exert his influence in favor of the recognition of the union and of a collective agreement. His open-mindedness may lead him to see that the authority of the national organizer may be useful in holding local trouble-makers in line. Of course, in some cases it may be that the man on top will insist on the final decision in such matters, but if the local manager is properly trained to assume leadership, he will be a powerful influence for the good.

Reaching the Made Executive

Those who have given careful thought to the educational process in general must have been impressed with the disproportion in emphasis placed upon formal preparatory training as against that placed upon the education acquired while on the job. Graduation from a course of training is only the beginning. In any branch of human activity or knowledge, the training given while we are still immature and inexperienced leaves a superficial impression as compared with knowledge absorbed while in active life. We

begin to become informed in any field only when we are actually engaged in it from day to day. What would we think of doctors who were satisfied with what they learned at medical school, or lawyers with what they learned at law school?

The problem of training embryo managers, the executives of the future, is thus only one aspect of the question. There is left the problem of making it possible for those who become actively engaged in any undertaking to acquire new knowledge and the results of new experience. There is also the still greater problem of liberalizing the attitude of that large group of managers who rise from the ranks without previous training.

Formal educational institutions cannot serve this purpose. Those agencies to which the employer normally looks for guidance, such as associations of business men, civic or professional, and certain departments of the government are the chief liberalizing influences that can be used in this connection.

There are national associations that serve as clearing houses for modern management methods. Such are the American Management Association, and the Taylor Society. They have done effective service in spreading knowledge of the best practice and in evolving a community of thought on the subject. That is important. It creates a substantial body of authoritative opin-

ion among the firms interested in the adoption of modern methods, setting the fashion and the standard for the firms which are backward.

An illustration is the American Management Association. It is sub-divided into various volunteer committees, organized to bring together the latest practice and experiments in the field of business administration. Through the reports of these committees, and the interchange of ideas at conferences, a constantly fresh body of knowledge is made available to the members. The work of these volunteer committees, composed for the most part of men in active business life, is supplemented by a certain amount of research work done by professional experts. The combination makes the information both practical and authoritative, and lends it prestige in the eyes of those engaged in conducting industry.

Then there are local organizations, such as chambers of commerce. Too often their attitude on labor problems has been negative. But there have also been quite a number of cases of successful educational work on the part of local chambers. These have established research departments whose work has been of practical use in assisting management. Often there are aspects of the labor problem which have a local flavor, and therefore such community effort deserves every encouragement. It is useful particularly to the smaller firms, which cannot afford to

employ outside experts and to whom recent experience in personnel technique is inaccessible.

Then there is the part the government must play. The attitude of government towards industry has in the past been to a large extent confined to regulation. Or it has tried to provide the arbitral and conciliatory machinery necessary because of the faulty functioning of our industrial relations. Legislative regulation up to a certain point is most necessary and useful. Such provisions as minimum standards of safety and health safeguards, despite the lamentations of some employers who still wish to continue practices of the dark ages, merely prescribe the ordinary decencies of our civilization. Legislation of this kind also has a definite educational influence. But there is a limit to regulation. When the State over-regulates, it hampers industrial processes. Besides, as is shown in Chapter IX, regulatory legislation cannot of itself provide the means of running an organization properly.

More necessary than regulation or even than provision of arbitration machinery would seem to be the promotion by the government of means by which the employer, particularly the one in the small enterprise, may work out his own improvements in methods of organization. The U. S. Census of Manufactures, of 1923, indicates that only about 38 per cent of the employees of the

country were employed in large plants having over 500 persons. The rest were in plants employing 500 persons or less. This country is so largely industrial that it would appear that the Government, both state and national, should be as much interested in promoting better and more scientific industrial relations as it is in promoting better and more scientific farming. It can do this by education, research and general assistance in the spread of the best methods of personnel administration.

With the small proprietor owner in mind, a successful experiment was initiated in the Labor Department of New York State, some years ago, to put at the disposal of smaller plants the experience of the larger and more progressive ones. A bureau of industrial counselors was established whose function it was to visit plants and, when requested, to suggest methods of improving personnel conditions. Confidence was easily gained because of the evident practical turn of mind of the counselors and the fact that they were solely advisors, not in any way inspectors. The decentralization and local character of the work made it possible to adapt different methods to different plants. The counselor would call the attention of the particular plant manager to a scheme of safety organization used in another establishment and indicate how, with perhaps some modification, it could be adapted

to the particular needs of the plant he was visiting. Similarly with employment systems, plant disability funds, shop committee plans, educational and up-grading systems and health programs.

In addition to the field consultation in the various plants, manufacturers were circularized and correspondence maintained. The field consultation and advice by mail were valuable in indicating to the individual employer how he could best adapt the information sent out or suggested, to the handling of his particular problem. The object of such bureaus should not be to take the place of industrial relations departments maintained by the industries themselves, but rather to stimulate industries to establish such departments and to adopt the most modern practices generally. Self help is the genius of our institutions and a principle of real progress. The most that such bureaus can serviceably do is to achieve the initial stages of bringing the latest information to the attention of backward employers.

The Federal Board for Vocational Education has done interesting work along constructive educational lines in connection with foreman training. In conjunction with the state boards of vocational education, it has staged foreman conferences as demonstrations for various industrial centers and establishments. The success of

such demonstrations has depended upon the thoroughness with which the industries themselves have taken advantage of this experimental work and continued the conferences on their own responsibility. Thus the practice of modern and enlightened management methods will be less a matter of chance experimentation by the exceptional employers. Continuous education of production managers to handle labor relations properly should be a general national educational policy.

A manager with the modern conception of the importance of human organization will, in turn, improve the character of foremen under him. I know personally of many instances where the overbearing and truculent attitude of foremen towards workers has been radically changed under the tutelage of such types of managers. This is, of course, merely the first step. With the proper training, foremen can be influenced by managers who are true leaders to become more interested in the careers of the men under them.

The extent of the responsibilities of the production manager toward his employees has been indicated, but now it is also important to show the limitation of those responsibilities. The manager is responsible for bringing about the best adjustment possible of employees to their work. But limits are set by social heredity, tradition and other outside influences. The industrial

environment is not wholly responsible for human behavior. The manager's position is analogous to that of a teacher in relation to his pupils. The teacher must take the child as it comes from the home. He is not responsible for the home. Similarly, it is important to determine how far industrialists are "responsible" for molding the psychology of their employees. For if their responsibility is stretched too far there is danger of a paternalistic interference with the lives of employees—an attitude that is particularly repugnant in individualistic America. This leads us to the consideration of the extent to which the employer should concern himself in matters not directly connected with the assignment of work.

CHAPTER V

THE EMPLOYER'S RESPONSIBILITY TO THE COMMUNITY

In discussing the employer's relation to the community, local or national, one must keep in mind that he is part and parcel of the community.[1] His relation to it is not to something outside himself, but to something of which he is an essential component. A socially healthy community, local and national, reacts upon his well-being as much as it does upon the well-being of any other member of the community. This distinction is important because there is a tendency in some quarters to regard the employer, particularly in his relation to the local community, as a commanding officer of an army of occupation. His proper rôle is that of a citizen and neighbor—influential and possessed of great power for good and for evil.

This influence and power are due to the fact that under the capitalist system executive control over production is decentralized, and, to a

[1] When I speak of employer, I refer either to the hierarchy of executives in a corporation or to a proprietor. Of course, in the case of a proprietor the relation to the local community is apt to be more intimate than that of a large corporation, but the resident manager of a large corporation can and often does act as a substitute for the employer-owner.

large degree, is disassociated from our political system. In order to preserve the initiative and the adventuring instinct of the individual business man, it has been deemed advisable, particularly in this country, not to encroach upon his sphere of power. This decentralization has the obvious advantage of making possible economic efficiency, and the disadvantage of preventing the carrying of democratic tenets to their logical conclusion in industry. But it is unnecessary here to discuss the *pros* and *cons* of this question.

With influence and power come opportunity and responsibility—in this case, of helping the particular community to help itself. The modern-minded employer realizes that making money is only one part of his activity, and that his position logically involves the responsibility of developing and leading both his internal organization and that portion of the community with which he comes in contact. If there are independent forces within his community, he may not be called upon to do very much. But if not, failure to assume the burden of activity means that the community loses the responsible leadership of its most influential citizen.

There is little to be said for the theory advanced by negligent employers on the one hand, or some radical labor doctrinaires on the other, that a policy of "hands off" everything which concerns employees after factory hours is

always desirable or possible. It would be "laissez-faire," in another guise.

It is unnecessary to go into the details of the specific problems which face each employer. The main point is the general attitude. If the particular industry is located in an organized and developed community, the task of the employer is relatively easy. His relation to the community is then that of any other citizen, that of helping to develop what has already been established. Where an industry is located in an isolated region, however, the employer has the task of building a healthy community from the ground up.

To suggest some of the concrete duties, there is first, that of seeing that in some manner proper housing facilities are developed; second, to see that some center is provided for social life, and to help promote a healthy community spirit; third, to see that educational facilities, for both adults and children, are adequate, particularly the teaching of English to the foreign-born adult; fourth, to see that the town is provided with ample physical facilities; fifth, in some cases to provide co-operative stores and similar economic aids.

In any community, developed or undeveloped, the situation requires a particularly high degree of tact, for a desire to serve the community may easily appear to be a desire to patronize and

dominate. An employer must remember that it is just because of his position of power and influence that his acts are open to suspicion and misunderstanding.

Some employers take a paternalistic, Lady-Bountiful point of view. Often it is the same employer that talks about the necessity of a "sturdy individualism." One well-meant experiment in this direction comes to mind. The company bought up a particular town site in which it was operating. It built a remarkable town beautiful from an architectural point of view; but there was something about the way in which the town was conducted which made every individual in the town feel that he was a ward of the powers that be. Despite all their trouble, the employers had created a dissatisfied community. If employers would exercise a little imagination they would avoid assuming the rôle of feudal lords. Let the employers put themselves in the position of the man under them and think how they would feel if their positions were reversed. Or let the employers recall to mind their youth and resentment at any interference with their independence, and they will realize how delicate are their relations to the community.

In other cases it is not so much a matter of a patronizing attitude as one of bad judgment. In one community in which several employers were located and in which a large majority of the

workers were Roman Catholics, a Y. M. C. A. was built. In this particular instance the lack of judgment was self-evident. I cite it to indicate that each situation must be studied separately. Might not a non-sectarian industrial club in this instance have been much better? This, of course, is in no way meant to disparage the excellent work of the Industrial Y. M. C. A., which in many cases has distinct advantages over company-controlled facilities.

The question of housing, of course, is a difficult one. Company-owned houses have their obvious disadvantages. But the alternative of leaving the problem of housing to outside influences is often worse. To ask an employee to own his own house may be an injustice for various reasons. Therefore, where it is feasible, some scheme of copartnership in housing should be installed, so that the employees may have the benefit of the feeling of ownership and at the same time know that their possession is of such an elastic nature that they can quickly dispose of it. Where it is necessary to have the company build its own houses for the community, the situation should be handled in such a way that there will be no suspicion of a patronizing attitude. One progressive plant has left the housing problem almost entirely in the hands of an employees' committee, helping it chiefly by financial aid, supervision and advice.

The specific facilities are not as important as the spirit in which the employer acts. It is human nature, particularly in a democratic country, to prefer inadequate facilities free from the taint of patronization to adequate facilities obtained at the cost of a lowered self-esteem. Normal human beings prefer the opportunity to do things for themselves or to appear to do so. Again, in connection with adult education, care must be taken, of course, that so-called Americanization work is not conducted in a manner that reflects on their old culture and arouses resistance. If properly led, foreign-born groups will take care of themselves. Anything that suggests discredited "welfare" methods should be avoided.

The relation of the employer to his internal organization has a bearing here. It is, of course, patent that the end in view—a democratic upstanding local community—cannot be developed unless the conditions in the particular local plant are sound. Adequate wages, reasonable hours of work, a certain amount of security, a voice in determining wages and working conditions, through works councils or conference committees, proper systems of training which serve to make the job a career, modern personnel administration, in short, everything that goes to make for *esprit de corps,* reflects itself in the life of the particular community in which the industry is located.

Thus far we have discussed the opportunities for constructive leadership that are afforded to employers, and the chance to do worth-while things in improving the social fabric. This is one side of the relations of the employer to a community. But there is another side. There are some things which the employer must not do.

Just because the employer has power and influence which are extra-political, he must be scrupulous not to exercise them so as to encroach upon the political and personal rights of the individual. In the interest of efficiency, society has given a grant of power to the individual producer and adopted a more or less laissez-faire policy. But on the other hand, society has also determined that efficiency shall not go so far as to endanger the political rights of the individual.

The term "political rights" includes, of course, the right to join and assist in the organization of trade unions. It is essential that these rights shall not only be preserved but that there shall not be even a remote feeling that there is a disposition to coerce or dominate. This principle is particularly true of the relation of the employer to the local community as distinguished from the larger community. I am not here referring only to gross violations of these rights, involving the use of physical coercion or the attempt to interfere with free speech or free assemblage, by the improper use of local authority. It seems super-

fluous to comment upon such flagrant and indecent transgressions of the spirit and the letter of American institutions. The instigation or countenancing of such methods on the part of industrial employers lays the foundation for general disregard of law and order. It creates a bitterness that often remains as a problem for future generations to overcome. In spite of the wide publicity which they receive, such direct violations are, I think, rare if one takes into account the immense number of industrial plants. I am referring especially to indirect infractions through subtle intimidation that are not as likely to attract public attention and which, therefore, must be guarded against even more zealously.

Closely akin to the duty of employers not to encroach upon the political rights of the individual is their duty not to infringe on the social freedom of a community or of their employees. It is of course perfectly proper for an employer, and in fact his duty, to exercise his influence openly and to attempt to create an informed local public opinion. A "hands-off" policy is undesirable. He must be careful, however, not to create the impression that he is trying to take advantage of his position.

Difficulties confront any enterprise in its relation to the local community. There are often demagogic and other influences which attempt to stir up trouble for an undertaking that has every

right to be protected. However, this constitutes no justification for acting in a tactless, arrogant spirit. Any modern employer conscious of the spirit of the times—aware that feudalism is a thing of the past—will be able to act as a real leader of affairs in his community. If the community once realizes that there is no attempt at paternalism, its respect and loyalty will be comparatively easy to obtain.

Where the management has been progressive and alive to its opportunity for leadership, the standard of the community is often raised to a marked degree. I know of one plant established in a locality where there was formerly only sparse farming. Around it the community has been developed and it has improved socially and morally to a point that does credit to the industry which was responsible. In this particular case there has been built up a genuine feeling of loyalty to the company, but the relation is not a feudal one. There has been no suspicion of patronization. The company has been careful to respect the sensibilities, social and political, of the inhabitants. The result is an upstanding community and a sound situation for the company generally.

The relation of the employer to the community is thus of a dual nature. There is an affirmative side in the opportunity afforded of acting as a source of activity in the moral, social and cultural development of the country. There is a negative

side in the obligation not to use the power inherent in his position so as to encroach upon the sphere of political rights of the individual. In both phases the exercise of tact and imagination is an essential element.

CHAPTER VI

EMPLOYEE REPRESENTATION AS AN AID TO MANAGEMENT

WISE social experimenters realize that they are not unlike wayfarers stumbling along an unfamiliar path in the dark. They can only feel their way. They are aware that the modifications they attempt in the industrial system are not ultimate solutions but short steps in the direction of present ideals.

Employee representation should not be approached in a doctrinaire spirit as a method of suddenly introducing so-called industrial democracy. It should be regarded as one of many means of making the industrial process more effective, more in keeping with the democratic tendency. It is not a panacea but a prescription which, to be effective, must be suited to the needs of a particular industrial ailment and used in conjunction with other remedies.

While one may vary the formula of employee representation, there is a principle which the present state of the body industrial demands, and which therefore must be introduced into it. This is the principle of *consultation.* It is the

basis of employee representation and of certain forms of relationships with trade unions. The principle of consultation is broader than employee representation. It may be applied effectively in simpler forms than employee representation, for the latter is merely one of its more formal developments.

In introducing labor's participation in the management of industry, one must proceed gradually. The first step is to introduce the principle of consultation with reference to matters of immediate concern to the workingmen. For after all, they can discuss intelligently only those things which constitute a "picture in their heads."

The principles underlying unionism and employee representation are not necessarily incompatible or antagonistic. Like two streams starting from different sources and merging, these two principles often converge, and in such cases we have a most satisfactory solution. But the two forms of employee participation have radically different origins and different organic histories. Employee representation has come from management and therefore is to be regarded as a vehicle to assist management leadership. Unionism started essentially as a form of protest by labor. Or it is a means of collective bargaining, constituting a species of business "dicker" over terms of employment. In this country, the

latter type, "business unionism," is the most widespread form.

There has been much lively discussion as to the rival claims of unionism and employee representation and of the extent to which they are compatible with each other. I shall not attempt to enter into this controversial field, though in the next chapter, on unionism, I shall allude to some interesting experiments where advantages of the two have been combined.

A moment's diagnosis of the situation under consideration will perhaps prove worth while. What are the main things for which society is striving in the industrial system—a system which seems even more important to man than the political structure? I think we can safely say there are two main things, namely, the greatest possible production, and the maximum development that is possible for each human being. We want production, but not in a way that will cripple the human beings in the system morally, emotionally or physically. We want the self-development of the human being, but not at the cost of retarding production too greatly.

For two sobering facts must be kept in mind. The first is that all of us, including the large proportion of those engaged in the industrial process, desire the maximum of physical goods that are the result of that process. It is not as in Russia, where people are more interested in ideas than in comforts.

The second fact is that society produces by no means too much to go round. Studying the figures of a particular year, let us say 1918, in the report of the National Bureau of Economic Research on the distribution of the national income, one finds that 71.4 per cent of the products of mines, factories and land transportation went in that year as wages to non-salaried employees,[1] and that their average yearly earnings for that year in mining, factories and transportation were $1,283, $1,148 and $1,286 respectively.[2] The conclusion must be, therefore, that if the entire product of mining, transportation, and manufacturing went to the employees, which is of course impossible, they would still not have enough to give them a very comfortable living according to present American standards. There is, therefore, by no means enough produced yearly in the industries of this country to satisfy the generally accepted ideas of comfort. This is obvious, but to paraphrase a remark of Justice Holmes, "emphasis on the obvious is sometimes more important than the elucidation of the obscure."

The great thing about a proper form of employee consultation is that it meets both the aims that society is striving for. It helps to increase production and it also serves to develop and satisfy the human beings engaged in the pro-

[1] *Income in the United States: Its Amount and Distribution,* 1909-1919, Volume I, (New York), p. 99.

[2] *Ibid,* p. 102.

ductive process. And what is of first importance, it brings together minds and emotions that have been apart. It serves as a vehicle for the right sort of industrial leadership on the part of the management, for a leadership more compatible with present democratic ideals and ideas, a leadership that will preserve the dignity and self-respect of each human being who forms part of the productive system.

For it is well to keep in mind that the friction between employers and employees has not arisen alone because of problems involving the distribution of wealth, problems of wages and profits, but that to even a larger extent it has arisen because of questions involving the status of the individual employee. One of the phenomena that is presented in industrial situations is an irritating sanctimoniousness and assumption of self-righteousness on the part of the old-fashioned employers. They regard as sacred the prerogatives of those in power. Such employers regard their plants as their "castles." This old "castle" idea must go by the boards, and plants be regarded more as social units of production. For the result of this discarded notion was that the worker felt—to a large extent unconsciously, of course—that his dignity and self-respect were not accorded the consideration that they had been given in our political systems.

But while all who are true democrats, to use

a much abused term, welcome the enhancement of the dignity and self-respect of the individual that came with manhood suffrage in the political field, many realize that it does not necessarily make for efficiency in administration; certainly not for the kind of efficiency that is necessary for modern mass production. One may be ready to make the necessary sacrifice of efficiency in the political field to satisfy the principle of self-determination, and yet feel it dangerous to translate the democratic idea bodily from the political to the economic field. For, though society aims to secure the maximum self-development of human beings, it also commands a large volume of production. The two aims go together. Effective production is so dependent upon executive responsibility, freedom to make decision, and initiative on the part of leadership, that one must be deeply concerned with the particular form that employee consultation takes.

Employee representation may be compared to limited representative government, except that the analogy obscures the vital distinction just made between the sacrifices in efficiency which may wisely be made in the economic field as against the political field. In the former, we must be better organized for our war with nature. Work *must* be done. Therefore, though it is essential to avoid the slightest hint of autocracy, consultation of workers must be built around and

be subordinate to executive leadership and control.

The most thorough-going advocates of workers' participation in management become convinced of the importance of leadership when they go into the practical administration of industry.[1] Sidney and Beatrice Webb, for instance, after exhaustive studies of enterprises in which workers have achieved control, state:

> Finally, there is the whole group of questions included under the invidious term "discipline." In every extensive enterprise there has to be a hierarchy of managers, from the foreman up to the principal executive officer, and—to put it moderately—a very large part of the success or failure of the enterprise depends on the choice of these managers, on their capacity in their own particular function of management, on the end which they set themselves to achieve, and on whether they are responsible to the consumers whom the enterprise exists in order to serve, or to those who are working under the management in question.[2]

Consultation, or Divided Control?

To me, the soundest feature of the industrial system is that the initiative for getting results is centered, in the case of each business enterprise, in one person, the employer. Either as

[1] See quotation from G. D. H. Cole, the British Guild Socialist, cited on page 23, above.

[2] Sidney and Beatrice Webb, *The Consumers' Co-operative Movement,* (London, 1921), p. 467.

owner or manager, he has the responsibility of making good at his job. It is a mistake to have any system grow up in which the final responsibility for administration is divided. Any plans that are devised for giving employees participation to a greater degree in management must not diminish management's initiative or responsibility and must not be regarded as a substitute for leadership. Such plans for employee participation must supplement management, not supplant it. It is a great mistake to consider this device as a means of balancing the power of management by the power of another group. It should rather be regarded as a mechanism which the management officials utilize to assist them in their function of leadership. It is a technique for making leadership compatible with democratic ideals.

The existing capitalistic system is far from perfect but in attempting to improve it, it would be a serious mistake to create a hybrid system of dual control. It would be futile and merely lead to chaos in the industrial system if we attempt to change it over-night, and suddenly evolve a two-headed monster in the form of two groups responsible for the same enterprise. Surely, Americans have had enough of the hampering effects of checks and balances in the political field to make them wary of creating checks and balances in other fields.

There are questions of wages, hours of labor, working conditions and discipline in which are involved the very essence of the relation of employment. These are matters of direct interest to employees that management must discuss regularly and thoroughly with its employees, and in most of these the decision should be joint. Outside of this field, there are often a large number of constructive ideas that can be elicited from the workers by consultation, giving them the opportunity of constructive co-operation with management.

Employees should be informed about the large questions of management just as far as is possible. They should be told about the financial status of the company and the economics of their industry. One of the great advantages of a shop committee system is that it furnishes a vehicle for discussing these questions in an effective and continuous fashion. But while employees should be informed on many important phases of management problems, it would not lead to effective results if they were asked to share the responsibility in decisions on larger questions of policy, as, for instance, finance, selling, purchasing and planning.

At several conferences of executives called to discuss this subject, it has been agreed that employee representation does not fulfill its possibilities until it is conducted in such a way as to

encourage constructive suggestions and contributions from employees. Participation in management to this extent, or perhaps I should rather use the phrase "assistance in management," is entirely consistent with those two requirements that the industrial system should meet—the self-development of the human beings within the system and effective production of physical goods in large volume. The curious thing is that employees often seem reluctant to assume responsibilities and prefer the luxury of being critics. To overcome this reluctance, continuous efforts on the part of the management are necessary to secure group co-operation. This is where the educational value of employee representation enters.

The aim of employee representation is a compromise between the self-determination of the political field and the executive responsibility essential to the proper functioning of the productive system. Perhaps a better term for this purpose than "compromise" would be "constructive solution." The essence of this constructive solution is consultation all along the line by the executive with his subordinates. What is being worked out is not unlike limited representative government. For while "town-meeting" democracy, or even "Parliamentary" or representative democracy, is incompatible with the degree of efficiency demanded of the complicated industrial

system, arrogant autocratic methods are also out of date. The most important recent discovery of management is that not only are such autocratic methods inconsistent with modern emphasis on the dignity of the individual, but that production is increased where such methods are abandoned and the principle of consultation is followed. The principle of consultation promotes both ends.

Someone has suggested that democracy is not opposed to the rule of the best but that it aspires to give every citizen a chance to say what he thinks is best. The true shop committee principle is that the industrial citizen should have a chance to say what he thinks is best about those subjects that are part of his daily experience and which, therefore, he can understand. It is something that all desire in any undertaking with which they are connected.

Existing Forms of Employee Representation

In these matters of employee participation, it is important to avoid a doctrinaire spirit. There are many degrees of consultation. How far it goes depends largely on the particular situation involved, such as the type of employees, the nature of the company's business, the structure of the industry. It is a matter for thoughtful and courageous experiment.

There are quite a number of methods which

the employer can devise for contact with his employees which are improvements over the old autocratic methods. Some include a sort of legislative power and some do not. It will be useful to enumerate roughly the various stages of the relations between the employer and his employees. The classification adopted does not pretend to be scientific or exhaustive, but is merely suggestive.

(a) First, there is the old-fashioned method in which the characteristic feature is the posting of notices of decisions of the management without any consultation with employees whatever. This method is antiquated and has been scrapped by thoughtful employers. Even a "die-hard" management viewing the subject from a prosaic commercial standpoint should realize that such a method violates the first principles of salesmanship. It is a symbol of an archaic attitude. The first task of those interested in better industrial relations is to induce employers to discard this attitude entirely.

(b) Second, there is the method of courteously explaining from time to time to one's employees that part of the company's program and policy in which they are interested, without, however, soliciting the advice of the employees collectively, or giving them an adequate opportunity to express their own ideas. The purpose of such a plan usually is to "get across" the view-

point of the management to the employees and to explain the situation of the company and its general economic background to them. This is a great improvement over the method mentioned above, for it shows a reasonable regard for the opinion and good-will of the workers.

(c) Third, there is the plan adopted by many enlightened companies, in which advisory committees of employees are formed. Not only is the viewpoint of the management explained, as in the previous plan, but an expression of opinion of the employees is solicited. No vote may be taken and the advice is not necessarily followed, but the employee realizes that, at the least, his viewpoint has not been entirely ignored. No legislative power of any kind is delegated under this type of plan, except perhaps over certain specified matters, such as safety.

(d) Fourth, there is the type of shop committee which differs from the last two types of consultation in that preliminary legislative power is given to employee committees on matters of employee interest. The decisions of these committees, however, become the accepted policy of the company only when not formally vetoed by the manager. This is different from a mere consultation policy in that, in practice, the decision on certain subjects is left to an agency of the employees, and the veto rarely exercised, if at all.

(e) Fifth, there is the formal plan of employee representation in which joint control is exercised over certain company matters through a joint vote of management and employee representatives, but in which arbitration is provided for cases of dispute. The essence of this plan is that the action taken on certain policies may be binding on the management in spite of its dissent. There are some rare cases in which final and exclusive power is given over certain matters to the representatives of the employees.

This last type raises the issue as to how far workers' participation shall go. There are examples among some companies of the last mentioned stages in which the difficulty of divided executive control arises and in which the principle of undivided executive responsibility has been violated.

The writer has made frequent inquiries among progressively-minded employer friends who have been experimenting with modern methods of consultation, as to whether there is any disposition on the part of the workers to take over the responsibilities of management. Their replies reveal, practically without exception, that the workmen were reluctant to assume such responsibility. Certainly no evidence of a desire to do so was indicated. One particularly progressive employer in the textile business said that criticisms were

almost always negative. This attitude is explainable. Responsibility is felt as a burden, rather than a boon, by the great mass of individuals.

Mr. A. Lincoln Filene furnishes additional testimony. In an attempt to discover why the employees did not take more initiative in the cooperative management plan in the Filene store, a committee of employees from various parts of the organization was consulted and a number of meetings were held. On the question of a voice in management, the committee replied: "Not an employee requirement, nor highly valued by every employee." Mr. Filene says: "Does the average employee desire a voice in management? We had put it squarely before the employee himself. And his vastly significant answer was, No."

The actual expressions reveal a great deal. . . . One of the men put it: "I don't think the average employee feels that it would benefit him to have a voice in the management. He doesn't consider it his job." Said another: "I don't think the average employee's mind is trained to think in the same lines of thought as the Management. The problem is beyond him."

Here is the view of one who has been with us for a number of years: "It would take their time and take them away from their jobs, and so make it harder for them to get along in their own line. . . . The employee can't stand the pressure of having too much to do in a short time."

A young man risen to an executive position thought:

"Representation on the Management doesn't mean very much to most of the employees. We feel just as safe and are sure the business will progress just as well if we do our work as workers and the Management do their work as managers." [1]

In 1919, when the propaganda of a new order was at its period of greatest inflation, Prof. Commons and a group of associates made a survey of the labor relations of typical plants. The field studies were then published. Prof. Commons summarizes them on this point as follows:

We do not find that "labor" wants participation in the responsibilities of ownership or management. . . .

Even the employers' shop unions which in two or three cases have gradually taken over a large participation in shop-management, draw the line distinctly at the point of financial responsibility.

In fact, the whole history of labor organization shows that "labor" as such, cannot manage industry. The older unionists have learned by experience. They have seen producers' co-operation tried. While, as consumers, their co-operatives have moderately succeeded, and while there have been successes in co-operative marketing, yet they have seen the laborers always lose out on producers' co-operation whether it succeeded or failed. For, when their producers' co-operatives succeeded, the members closed their doors to new members and began to hire wage-earners on the market, like

[1] A. L. Filene, *A Merchant's Horizon,* (New York, 1924), pp. 150-153.

other capitalists, and eventually went over to the employers' side of the game. If they failed, labor, of course, lost out. If they succeeded, the new members knew a good thing too well to let in anybody that came along. Labor, as such, is made up of young laborers and new laborers continually coming in, without experience or discipline. It is even immoral to hold up to this miscellaneous labor, as a class, the hope that it can ever manage industry. . . .

If we are right in this, that what labor wants, as a class, distinguished from what individuals want, is nothing more than security in a good job with power to command respect, then so much the greater is the opportunity and responsibilty of management. Management, then, becomes responsible, not only to the stockholders, but also to the workers and the nation.[1]

Advantages to Management

Psychology teaches us that the way to get the most out of human beings is by getting them to develop their own ideas and by stimulating their initiative along constructive lines. Repressive methods, far from being efficient, are wasteful in preventing the maximum functioning of the individual. Instead of attempting to impose his will with a heavy hand, the modern leader attempts to release individual energies and to develop and make use of group thought. The slogan which was used by the adherents of the old

[1] John R. Commons, *Industrial Government,* (New York, 1921), pp. 266-8.

method, namely: "Keep your mouth shut, we will do your thinking for you," has gone by the board. So, also, has the tradition that efficiency on the part of leaders is synonymous with sternness. The modern type of management discusses plans before giving orders.

The benefits to be derived from consultation are not alone or primarily the assistance which it affords to the executive. The important benefit from consultation is its effect upon the individual consulted—the feeling that he is of sufficient importance to have been consulted and, to use a colloquialism, that he has been "in" on the business upon which his opinion is solicited. There is thus a feeling of identification with the problem in question.

Generally speaking then, through introducing this principle of consultation, employee representation serves the following functions:

(a) It enables the management to interpret itself to the men, and the men to interpret their aspirations to the management.

(b) It serves as a vehicle for laying the facts of the business before the workmen and thus gives each workman the realization that he is being consulted.

(c) It furnishes a method of discussing wages and hours with the employees as a group and coming to an agreement concerning them. Shop com-

mittees have proved very useful in wage and piece-work adjustments.

(d) It increases the sense of self-importance and responsibility of each workman, and creates a feeling of identification of himself with the plant organization.

(e) It has great educational value in teaching the workers self-discipline.

(f) It enables the management to utilize the practical knowledge and experience of the employees.

(g) Properly supplemented by careful intensive education, it gives the employees a creative concern in their work.

Evidence presented at recent conferences of industrial managers and superintendents, held by the American Management Association, indicates a widespread development of these methods of employee participation in the United States. Examples were cited ranging from informal methods of consultation to formal methods of employee representation. Reports indicated that there has been a really surprising progress in this direction in our country, and that there are over 1,000 such plans in existence. All these plans were voluntarily adopted by the management and, in many cases, with the concurrence of all officials. Employee representation was used in most cases as a means of *strengthening* the leadership of management rather than of *checking* it.

Importance of the Evolutionary Process

It is well to point out the folly of super-imposing complete and elaborate schemes of workers' control suddenly on an unprepared executive hierarchy. To introduce the scheme without preparation is unwise even if the change is a comparatively mild one. One of the chief difficulties in a certain large organization was that employee representation was installed over the heads of the superintendents. Some of the foremen were so irritated that, as a result, they practically "sabotaged." These foremen had not been called together to discuss the plan until five years after it was put into effect. No effort had been made to convince them collectively of the value of the plan. Particularly curious was the fact that such elementary prerequisites as the installation of a competent personnel department and the abolition of nepotism had not been recognized as first steps in the program and had been totally ignored. Fathers would engage sons as assistant foremen in the steel works, and 200 foremen and superintendents were doing the hiring, firing and promoting of 6,500 workmen. There was not even a proper routing system in the plant, there being an actual scramble on the part of the unskilled employees for material.

Such resistance to a limited plan of employee representation demonstrates the futility of pro-

mulgating laws which set up works councils, and direct employers and executives to use them. This is the method that has been used in Germany and Sweden. In those countries the psychology of the executive has evidently not been kept in mind. Certainly, as far as Germany is concerned, this procedure has developed a spirit of cynicism and concealed opposition toward these essentially useful instruments. The result of introducing works councils by government fiat has been that they become largely perfunctory. Most of the shop committees set up by our National War Labor Board during the War disintegrated soon after its close.

The spirit with which works councils have been introduced in the United States is more in accordance with sound psychological principles. The fact that initiative and responsibility originate with the executive has been recognized. By experiment and discussion, the idea of a works council has been popularized among American executives. As a result there has been a steady and organic growth of the movement in this country. The development may be uneven but it holds promise. Almost 1,500,000 employees are within the works council movement.

Leadership Through Consultation

Works councils, shop committees, employee representation, call them what you will, are but a

formal method of doing what any wise leader would do in this democratic age, namely, provide means of consulting with his followers on matters within their range of interest. But to order executives to consult their subordinates is almost a self-contradiction. True consultation implies that the executive has an inner conviction that it is a wise step. To be successful, the whole procedure must spring from his initiative. The particular plan of consultation or representation may well be left to employees to devise. But Hamlet can't be played with the principle character omitted, and the Hamlet in this case is the executive. Employee representation and other means of a consultation must be regarded essentially as a vehicle of leadership. The starting point in all these matters is the manager.

The greatest success in employee representation has been achieved when management officials have voluntarily introduced it in this spirit. At times it seems that a mistake has been made by laying too much stress on building up cumbersome machinery, instead of devising simple plans that would develop organically. Like rococo decoration, such machinery often is out of place because it has not been developed out of the needs of the situation. It often retards more than it helps the development of the principle of consultation. The method of one particular manager, who understands the principle of organization

from the ground up, is of particular interest. He gets his results, in a plant employing about nine hundred men, by holding informal monthly meetings of different groups of his workmen chosen at random. He chats intimately with them about the problems connected with their own jobs, and explains to them the problems with which he himself, as manager, is confronted.

The particular method of consultation and conference is subordinate to the principle of consultation. In the final analysis the success of any plan depends on the spirit and common sense of the management. In smaller plants managers often get better results from an informal system than from a formal system. One company developed a system of representation by gradually transforming committees on safety appointed by the management into committees elected by the men and dealing with everything from wages to ways of improving methods of production. In the large plants a certain degree of formalization is necessary to insure consultation all along the line. It also has made possible a continuous and uniform policy of this kind under changing managements. But the plan should, if possible, be developed gradually.

Certain writers and students who have made surveys of particular plans seem to think that employee representation should have a propelling

power of its own. They regard employee representation as an end in itself, which the production officials should be required to assist—a sort of constitution or ten commandments to be cherished.

On the contrary, in their present state of development they are to be regarded as vehicles to assist executives, and to enable them to transfer a certain amount of their responsibility. As instruments for executives, to enable them gradually to base their leadership on a democratic spirit, they have achieved their greatest successes.

One of the fruits of experiments in employee representation and similar measures is indirect. It is in the advertisement it gives to the adoption of sounder and more liberal policies generally. The influence of the spirit generated elsewhere by employee representation can be seen in plants in which its machinery has not been installed, in which no employees' committee of any kind exists, but where the management has adopted, by the contagion of the movement, a more modern and liberal policy. It often occurs that enterprises that do not adopt the machinery of employee representation adopt the spirit of this movement. The influence of liberal experiments in any field is almost invariably much wider than would be indicated by counting merely the number of direct converts.

Need for Open-Mindedness and Experiment

Because some employers have gone further than others believe expedient is no reason for the latter to ignore completely the problems arising from their relation to their employees. On the other hand, those who believe in the widest possible employee participation and the giving to employees of a definite control over certain matters, should not disparage or discourage less drastic experiments in employee consultation. It is folly in these problems to act in the spirit of "all or nothing." It is also futile to attempt to find a definition which labels only certain forms of employee representation as orthodox and standard. For there is no precise formula.

What is needed as a first step towards a more satisfactory national industrial policy is an ever-increasing number of executives who practice the habit of consulting with their subordinates. For the present, real progress will be made when industry in the country at large is won over to the principle and some fairly effective methods are adopted to effect the purpose.

CHAPTER VII

HARMONIZING UNIONISM AND INDUSTRIAL EFFECTIVENESS

From the point of view of abstract justice, the right of employees to share in the control of management problems through unions or otherwise is easy to argue. For while it is true that the employer has invested money in the industry, the workers have in a sense invested their careers in that industry. They are therefore vitally interested in its proper direction. And the social usefulness of trade unionism, past and present, in raising wages and standards, and in improving the position of the workers in industry, is unquestioned. Any discussion of the realities of the situation should not be construed as implying sympathy with those who say "God's in his heaven—all's right with the world." As a matter of social well-being, the present industrial world cannot afford to do without unionism.

However, when it comes to the practical phases of the control of industrial policies or to the matter of executive direction within plants, the problem is not so simple. One cannot regard national or world production policies from the

point of view of abstract justice alone, but must look at such matters from the standpoint of social expediency as well. The question then becomes: Is interference by unions in questions of management so costly as to outweigh the advantages that lie in any theoretical "natural rights?"

A Practical Question

In a recent book on industrial unrest, the author contrasts the status of labor with that of ownership. He compares the worker, as an investor of his life in an industry, with the stockholder as an investor of money. What he ignores is the employee's position in the organization from an administrative standpoint and the necessity when working out this relation of having in mind its bearing upon efficiency. The analogy of the investor is a sound and useful one but it must not be carried too far.

The worker is not only an investor. He is an individual bearing a certain relation to an administrative system, a relation which he would have to bear even under a system in which the term "investment" would be irrelevant. We must consider not only the rights of an employee from the point of view of his investment, but the administrative necessities from the point of view of discipline. The term "discipline" is not used in the harsh sense but refers to the type of co-

operation necessary to make any sort of organized effort effective.[1] In view of the need for a greater national productivity, society cannot afford to cripple its industrial activities unduly.

A trade union is a necessary instrument in industrial progress, but it may also have distinct limitations. Some of these drawbacks have a direct bearing on the attitude that the executive should take toward unions, as well as the responsibilities he must assume with regard to them. The limitations of unionism need be considered because they indicate one path by which the potential constructiveness of unionism can best be developed.

Complications of Collective Bargaining

The aim of unions is to negotiate all conditions of work and to settle the terms in a collective bargain. These negotiations are a necessary business activity in order to overcome handicaps of the individual workman in bargaining against the strong employer or corporation. This process is akin to the bargains that are made between two business men. It is the business aspect of unionism. In ordinary commercial negotiations it often becomes necessary, in order that the bargain may be consummated, to go into every detail and to specify minutely all the conditions which, unless settled in advance, might cause contention

[1] See page 126.

later. In the same way, when an employer and a union negotiate, it often comes about that the union finds it necessary to regulate details of the conditions of operation which really are functions of management.

A keen interpreter and friend of labor unions, the late Dr. Hoxie, has stated this aspect forcibly in a work frequently cited by trade unionists themselves:

> There is an essential incompatibility between the basic ideals of scientific management and those of the dominant type of trade unionism. . . . Scientific management can function successfully only on the basis of constant and indefinite change of industrial condition—the constant adoption of new and better processes and methods of production. . . . On the other hand, trade unionism of the dominant type can function successfully only through the maintenance of a fixed industrial situation and conditions, extending over a definite period of time, or through the definite predetermined regulation and adjustment of industrial change—the establishment of definite rules and restraints governing the adoption of new processes and methods of production. . . . Scientific management is essentially dynamic in its conception and methods. To impose static conditions, or to restrain it from taking full and immediate advantage of dynamic possibilities, robs it at once of its special purpose and effectiveness. Trade unionism of the dominant type is effective only where it can secure the strict maintenance of the industrial *status quo*, or can make its influence count effectively in all

matters affecting its membership during the term of a contract. . . . The great body of its essential policies, demands and methods center about and are in the interest of one great principle—the principle of uniformity, as regards all the conditions of work and pay affecting the group of workers which it represents.[1]

In some respects this side of unionism is not unlike the attitude of ordinary professional associations, such as those of doctors or architects, but because union activity takes place in the highly organized daily administration of large masses of human beings not possessing a similar mental discipline, it introduces administrative complications which are not present in the activities of those associations. If unions were organized merely among workers doing their jobs at home, such as the unions of homeworkers abroad, in which scientific administration of work is not a consideration, the question of their advantages would be entirely one-sided. But that, of course, is not the case in our large-scale dynamic industry.

Thus, by the mere fact of the necessities of labor in combining to bargain, there has been set up a complicating influence in executive functions. This means dual control of administrative routine unless, as in the few but significant in-

[1] R. F. Hoxie, *Trade Unionism in the United States,* (New York, 1917), pp. 341-344.

stances to be discussed later, a synthesis is brought about.

In a casual conversation with a musical group I was interested to hear that the failure of French conductors to get results was due to the fact that they had little control over their union orchestras. Again, I was amused to hear a well-known labor adjuster, who could not be accused of "capitalistic bias," say that the relinquishing of control by the employers in their shops had gone so far in certain branches of the clothing industries that an employer who suspended an employee for trying to throw a fellow-employee out of the window, immediately had a strike on his hands. An interesting recent study in the coal mining industry points out that the resistance to the disciplining of offenders has gone so far "that men who have been discharged for swearing at their foremen and for 'threatening them with bodily harm' have been given their jobs back because these things were not 'dischargeable offenses under the agreement.' "[1]

The conditions existing within the building industry are notorious. Certain unions have caused almost constant annoyance to the general public. About every week one hears of a threatened national strike of some group because of a dispute with another. Here the conflict is not between labor and capital, but between different

[1] Carter Goodrich, *The Miner's Freedom,* (Boston, 1925), p. 72.

groups of labor. It is interesting to speculate whether this chaos, and particularly this intergroup bickering, is not due to the fact that building laborers are more or less "free lances," attached to no one employer, so that there is no one executive responsible for producing team-work, no organization outside their particular sectional union to which they owe allegiance.

Labor leaders are necessarily agitators and organizers of opinion and, therefore, rather of the political than the administrative type. They have little sympathy with or understanding of industrial organization. From its very nature organized labor as a whole is, for the most part, in the position of opposition. Professor John R. Commons cannot be accused of a pro-capitalistic bias and yet he said somewhere recently:

> A union's purpose is necessarily and designedly restrictive. It is not designed to increase production—its purpose is to tie the employer's hand; to keep him from doing things that he otherwise would do; to overcome the fear of unemployment, the fear of poverty. . . . The policies are restrictive, necessarily designed so, intentionally so; and it is that weapon by which they have reaped the advantages of improved machinery. . . .
>
> I have watched this labor movement for the past forty years and I have studied it over the period of the past seventy-five years, and I have seen throughout that period that labor has tried out all manner of experiments . . . and they have finally come to the con-

clusion, which seems to me a sound and permanent conclusion, that labor, organized labor, can not manage industry.

Labor unions have fallen down every time they have undertaken productive co-operation; they have failed because they could not maintain discipline; they have failed because they could not keep up depreciation accounts; they have failed because they could not maintain good credit. . . . We must permanently depend, if we are going to have efficient industry, upon the private initiative of investors, capitalists and managers.

Some union leaders, just as leaders in other fields, have their own personal purposes to serve. One, for example, is through catering to the wants of the union membership, even though these wants are unjust, merely to keep themselves in power. And in craft organizations particularly it is natural to find that the interests of the union officials are sometimes different from the interests of team-work of groups engaged on any particular job.

In a recent discussion, a prominent American labor leader revealed confidentially difficulties he encountered with members of his organization that are typical of the labor union situation. He pointed out that a union leader profits by the more intimate observation of industrial management which his position and his contacts give him but when he tries to encourage some change that is in line with the newer tendencies, he is at once

assailed on the ground of playing into the hands of the employers and called a "reactionary."

One of the great advantages of capitalism already mentioned is decentralization, allowing each different group of executives to use its ingenuity in developing an enterprise. Will they produce as effective results if subjected to the interference of national trade union officials and their uniform national rules? There will be the additional problem of dealing with an organization which is attempting to control industrial operations locally but which is unduly centralized. Though decentralization of unions' authority has been attempted, it has rarely been effective. Because of this national character of unions, it has been difficult for the local union to assist in the constructive work of operating an industry in co-operation with progressive managements.

This, then, is the dilemma with which society is faced. On the one hand, the perfectly logical demand of some unions for increasing control over industrial management questions; on the other, the need for efficiency to increase our national production and the danger of complications which will ensue from divided control.

Effect Upon Executive Leadership

In considering the manner and extent of workers' participation, the reaction of the executives to it is an essential aspect of the problem. Any

formula that is proposed as a general industrial procedure, whether a system of works councils or unionism, should fit not only the psychology of the worker but also the psychology of the production executive. In fashioning any new industrial order, it is well to remember that the successful functioning of the administrative group, from the general manager down to the foreman, is just as much a factor to be considered as is the successful functioning of the workman. To a large degree the future managers must be taught to adapt themselves to necessary social arrangements. But those who are active in shaping new institutions, or in making new adjustments between old ones, should keep in mind the type of executive it is actually possible to train in our present civilization, not some abstract ideal production executive. As the manager is a necessary instrument for successful production under any system, his ability to function effectively is no less important to society and to the worker than it is to any other group.

There are what Graham Wallas calls the desire to lead and the desire to be led. Individuals vary in the possession of these tendencies. This is not the place to argue how far such tendency in an individual is due to heredity or to environmental conditions. In any event, the possession of one or the other tendency is probably the most important factor in determining whether the in-

dividual will make a good leader or a good subordinate. This quality of character is probably more decisive than intellectual qualities.

In discussing employee participation and in setting up any effective organization, this factor must be taken into account. Employee participation may be useful in mitigating the excessive aggressiveness natural to leadership, but may also go too far in curbing the initiative and responsibility that are so necessary in securing results. The interests of society require an effective compromise between freedom and authority.

Managers do not, at present, work effectively where they are subject to the dominance of national union control or interference. Opposition to unionism is not wholly due to economic prejudice. To a considerable degree it springs from their impatience with the interference in their duties as executives. There are administrators who have nothing but sympathy with labor unions from a social point of view, but who find them a nuisance administratively. It is true, as Mr. Henry S. Dennison has pointed out, that it is often the slovenly executive who is willing to let the union run the works, because it may be much easier. It is the energetic, wide-awake, effective executive usually who is bitter in resisting it. A dynamic executive has the defects of his virtues. I have heard this criticism in

unionized England as well as in this country.

These observations have been confirmed by men of a pro-labor point of view, such as G. D. H. Cole. In a recent article he cited the comment of a liberal professional executive as an explanation of why there was little reason to be hopeful of any early alliance between the technicians and the manual workers. The following excerpt is from this article:

"Materially speaking, we have a bit of a vested interest in capitalism, at least on a short view." He paused. "And yet," he added, "I'm certain that's only a part of the explanation. What counts for more is that our work makes us administrators and technical workers concerned chiefly with the smooth working and progressive development of material forces. We're inclined to resent strikes and labor troubles as interferences with our job. Even if we don't go off the deep end about agitators and the evils of trade unionism—and, on the whole, nowadays we don't—we're not inclined to back the people who seem to be making a mess of our work."[1]

Mr. J. Ramsay MacDonald is in hopes that the workers and the foremen and managers will finally come "into co-operative contact with each other,"[2] and that the future industrial structure will be built up of a coalition of the labor group and the works manager group. So far the facts

[1] Cited by G. D. H. Cole in *The Survey*, May 15, 1925, p. 244.
[2] In his book *Socialism: Critical and Constructive*, (London, 1921), p. 74.

do not indicate any such tendency. The present group of executives align themselves very definitely with the capitalist group. They are just as class conscious as upper executives, financiers and "rentiers"—if anything, even more so.

The question may be raised, however, whether the alignment between workers and executives will not be brought about through the "co-operatives," where labor is in a way the "owner" as well as the worker. But the evidence is contrary. Mr. Brooks quotes a co-operative leader as saying: "We have had rows that do not differ a hair from those outside." [1] The officers of labor banks have told me of the difficulty the executives have with their subordinate clerks. Very interesting was the correspondence between Mr. Stone, president of the Brotherhood of Engineers, and Mr. John Lewis, representing the Miners, in a situation where the Brotherhood was conducting a mining operation. The complaint of Mr. Lewis was significant. "I scarcely expected to see such a stereotyped statement from the pen of a trade unionist. I hear it every day from the coal operators." [2] Similar cases have already been quoted in Chapter I.

The evidence that comes to us from Russia in-

[1] John Graham Brooks, *Labor's Challenge to the Social Order*, (New York, 1920), p. 275.

[2] August 22, 1924, to August 27, 1924. Published generally in the press and in the *United Mine Workers' Journal*, September 18, 1924.

dicates that works managers will not work happily under a communistic system. The difficulty under a socialistic system would probably be that if anything went wrong, there would be a disposition to blame the wrong man, whereas capitalists are well disposed to protect their executives and see that justice is meted out.

The conclusion arrived at is that while at the present stage of industrial development the critical and bargaining functions in unions must be retained, there is good reason to discourage the interference of unions in the details of management operation, except as they demonstrate their willingness and ability to assist constructively.

Significance of Unionism to the Worker

There are limitations to the power that a union should exert in the actual administration of industry, but one should not underestimate their usefulness as essential social instruments. The labor movement has been a most healthful and helpful factor in our modern world. Unions have proved their value in resisting the drastic wage reductions which many employers try to make during periods of business depression. By thus keeping up wages at a time when the purchasing power of the consumer needs to be maintained, they have decreased the seriousness of that vicious round of events which prolongs an economic depression.

In industries in which there is a tendency toward small-scale operation and instability, such as the needle trades, and in which competition is based on a narrow margin of profit tending to sweating and demoralization, the union has been the sole force to maintain standards. In the building trades, employers do not use any single group of workmen permanently, and therefore cannot develop that *esprit de corps* and loyalty that comes from continuous association. To the individual employer in such an industry, unionism may seem merely an unpleasant complication, but in reality the union is the only cementing influence among the individual workers in these groups.

Even where not recognized in an industry, the function of unions has been to serve as a sort of "bogey man," to prevent undue cutting of wages and undermining of conditions. Thus they have had an important indirect influence in non-unionized industries. Anti-union partisans themselves have admitted this "nuisance value" of unions.

Unionism has been serviceable not only in these direct and indirect ways of preserving working standards such as wages and hours, but has also been an important liberalizing force in its political and social aspects. Much of our social legislation has been built up with its aid. It has served also as a useful critic of the general economic system and of social institutions, as well

as of particular management methods. The experience of even such well-intentioned industries as those conducted by the co-operatives or by the post-office department shows that some pressure must be exerted in every organization to prevent those in executive control from becoming so intent on results that they overlook the welfare of the workers.

Unionism has a political, as well as an economic aspect. There is no doubt that our present system does not adequately satisfy the desire of the workmen for status. Rightly or wrongly, those employed feel that they are in the old position of servants to masters. The fiction of self-importance, something which every human being cherishes, is to their minds constantly being impaired. This is the age of self-determination. To live the most important side of one's life under another's patronage and always obeying another's will, because that other person can exert the price of money, is to many painfully oppressive. Even more so is this feeling when there is a belief that they are being exploited—that an excessive amount of money is being made out of them, despite the fact that this may provide them with a fuller market basket than some system which is less practical from an economic point of view.

The political leader has the advantage that he is under the necessity of ingratiating himself with

his followers. He may use a certain amount of chicanery in his propaganda and in the molding of public opinion, but at least his constituents think that they have been consulted. They feel they have helped to make the man who directs them. This is, of course, an advantage of trade unionism. It serves as a vehicle for assuring the workman that he is a "somebody" in industry, that he has a representative of his own choosing.

In England the situation, as far as the psychological background of the worker is concerned, is different from that in the United States. In England the caste feeling is strongly entrenched —there is a sort of taboo between classes, while in the United States there is very much less of this feeling. In England the lines of loyalty of the workman go to his caste. He regards the assertion of his rights as loyalty to his class and feels that he thus helps to raise it as a whole. This in turn raises his sense of personal worth. It is somewhat similar to the over-emphasis with which an extreme nationalist asserts his rights in a foreign country. In a general way he comes to believe that this helps to improve the status of his fellow-nationals generally. The English labor leader feels an exaltation similar to that of a national political leader.

Unionism in America is much more of the type of "business unionism" that Prof. Hoxie has described, one based on such more immediate

aims as wages and the shorter workday. It is inspired largely by business opportunism.

But even in this country one of the motives which impels a laboring man to join a union is the desire to compensate for the inferiority of his daily life. He thus begins to feel vicariously equal in power to his employer. This purpose the shop committee or company union cannot serve, for it is essentially a vehicle to assist the employer in securing team-work, not to compensate for class feelings. This function of the union in serving as a means of making the employee feel himself as important as his employer is one of the reasons for so much emphasis put on the "recognition" of the union. It is a gesture indicating the equality of the workingman. It is also probably the reason why employers resist "recognition" so bitterly.

A friend of mine, who is at once an observer of economic conditions and an active and impartial figure in labor matters, put it somewhat as follows in a casual conversation we had together:

> Economic improvement will not satisfy the wage-earner. Again and again, in talking to individual workmen, I have found a surprising amount of distrust of the classes by the masses—unreasoning to a large extent, unfair to a large extent, yet it is there. It is due to the feeling among the wage-earners that they have no look-in when it comes to their industrial position.

They believe that the people in power do not represent them, therefore they suspect and distrust them. It is a question of status, not of economics. It is the old problem of democracy, the impatience of the individual who feels that others over whom he has no control, directly or indirectly, are in power. Shop committees, company unions, etc., though useful in their sphere, won't solve this problem because men don't feel that the shop committee is really of their own making. Trade-unionism is the only remedy that will serve to alleviate the situation. Trade unionism has a social and political usefulness in satisfying the workmen that their own representatives are in a position to take care of them and protect them. Only such leaders, elected by themselves, can convince them that their distrust is unfounded, or at least persuade them to adopt a compromise course. Only their own leaders can point out to them the advantages of the present economic system and persuade them to trust in improvement by evolution, instead of attempting disastrous revolution.

Therefore, he argued, we must make the sacrifice of efficiency that comes with divided control and divided loyalties in industry, and secure the political and social advantage that comes from a widely established trade unionism.

I do not by any means agree with all this. Grant unionism what one may, it should not be regarded as an end in itself. A doctrinaire attitude that unionism is the source from which all blessings flow cannot be sustained by experience.

At the present stage, unions are a useful and necessary instrument for the workers and they have the opportunity of constructiveness if they choose to take it. So far, however, their usefulness has been almost exclusively critical, stimulative and protective, except in the few cases to be mentioned. They have acted as a constant party of opposition, not as a constructive and initiating force. Recognition of the good things in the labor movement should not blind one to the fact that as far as industrial production and administration are concerned, it has still but little of a positive nature of which to boast. Perhaps the rise of a well-trained and enlightened generation of managers will make the instances of "management-union-co-operation" more common.

Enthusiasts who believe in universal unionism should not, however, belittle any other method of bettering conditions or call it a compensation for a refusal to do the one essential thing. If any conclusion is justifiable, it is that unions are a means and not an end. The amount of general recognition and participation which unions should have is a matter to be decided by social expediency.

The Potential Constructiveness of Unionism

Some students have taken the position that failure universally to recognize unionism stands

in the way of the millenium. They regard as the first step to this happy state the complete unionization of the workers throughout the country. With the unions generally established and recognized, it is claimed, the country could go ahead with constructive co-operation between them and management.

What are these constructive possibilities, and how far are the unions likely to avail themselves of them?

Let us consider for a moment the fragmentary evidence we have from this country, where there is only partial union recognition, then that of Australia and Great Britain, where unionism has long been established and is in most trades well-nigh universal.

To offset the instances of unionism that retards administrative effectiveness, there are such interesting experiments as those conducted at the Baltimore & Ohio shops and on the Canadian National Railways. In both cases the railroad executives have been able to work out relations with the local committees of the unions in such a way that the latter assist in management questions. Reports of what has taken place indicate a remarkable achievement.[1] What is often a

[1] See B. M. Jewell, "Recent Extension of Collective Bargaining —Co-operation—in the Railroad Industry," in the *American Federationist,* July, 1925, pp. 525-533; and O. S. Beyer, Jr., "Railroad Union—Management Co-operation," in the *American Federationist,* August, 1925, pp. 645-653.

negative form of interference with management has been changed to the type of constructive co-operation that is found in ordinary employee representation. In this case the principles of unionism and employee representation have merged. A great deal of constructive co-operation has evidently been obtained. Such experiments in "management-union-co-operation" are particularly useful in their educational effect upon union officials and members. The question may be raised how far the success of these experiments was dependent upon a type of wise leadership representing the unions that apparently is so rare as to be negligible.

Another example of unionism as a constructive influence may be found in the clothing industry, where some of the managers testify to the aid they have received. There is, it is true, a good deal of testimony that the labor organizations have caused complications which largely offset their positive contributions. There can be no doubt, however, that the net result of unionism in the clothing industry is a balance in their favor. Here too the leadership is exceptional. In his public utterances, Mr. William Green, president of the American Federation of Labor, has given a most promising expression of a new and constructive attitude toward the whole problem of co-operation with management. How soon these aspirations of the more progressive leaders will

find their way into the actual practice of the chief labor organizations only time will show.

On the other side of the picture are such examples as the anthracite coal industry. Here is one of those rare instances of 100 per cent unionism in a national industry. The union thus has a chance for singularly effective action. Instead, according to the complaints of the union's own friends, its policy has been negative.

Foreign experience on a nation-wide basis tends to make one rather skeptical of the claim that everything will be different when unionism is universal. There is approximately 100 per cent unionism in Australia, and fairly complete unionism in England in the more important trades. Yet there is no evidence that the condition of the workingman is better in either of those countries. Industrial observers of the Australian situation indicate that the condition there is not particularly enviable, and certainly lead one to be rather pessimistic as to the constructive possibilities of unionism alone.

Mr. Elton Mayo, research associate in industrial and clinical psychology at the Wharton School of Commerce and Finance, University of Pennsylvania, has given a picture based on his personal investigations on this score. He writes:

> America is not "class-conscious" yet; Great Britain and Australia are. And with the emergence of class-

consciousness the situation in industry is embittered and made more difficult. . . .

In Australia since 1893 the Labor Party has steadily developed in strength; there are now only two factions divided not merely by political beliefs but also by economic status. This generalization of the industrial as a political issue has not made for reason and industrial peace but against it. Strikes are more frequent than ever before—in spite of specially created Arbitration Courts. And obsessions are fostered and strengthened by every political event. One of the greatest industrial upheavals of recent years, the Sydney railway strike of August, 1917, was mainly caused by the workers' unreasoned terror of a mere word—"Taylorism." The Railway Commissioners attempted to introduce a card system of recording work with a view to accurate measurement of cost. The trade-unions and the Labor Press stigmatized this as an attempt to introduce "the Taylor System" into the workshops. The Railway Commissioners, instead of dealing with the human situation, tried to meet fear with force; they ordered the introduction of the card-system. The railway and tramway men at once came out on strike; a few days later coal miners, seamen, wharf laborers, gas workers, butchers, and many other unions ceased work. In some degree the strike spread through all the States of the Australian Commonwealth.

This is no solitary instance; in the last thirty years of her history Australia has suffered constantly from widespread social disruptions of this type. She lives through these crises somehow, and her politicians vainly try to believe that Arbitration Courts and administra-

tive opportunism will some day discover a solution. The plain fact is that class obsessions are continuously cultivated in the name of democratic self-government and these recurrent disorders are their product. It is only by reason of the fact that conditions of living have up to the present been fairly easy in Australia that she has not suffered still worse disasters. There is unfortunately every indication that Great Britain is traveling, though perhaps more slowly, the same calamitous road.[1]

The difficulty would seem to be one of action and reaction. Narrow-minded employers by their policies bring into being a body of nation-wide, dominant and militant unions, which in turn divert the attention of even potentially liberal employers from the constructive side of productive organization towards absorption in resisting union demands.

The English workman is living in an atmosphere of general recognition, yet it cannot be said that he is better off than the American workman as far as his dignity or self-respect are concerned. Mr. Oliver Sheldon, an impartial observer, speaks of "British Industry where the problem of human relations is probably more acute than in any other country."[2] John May-

[1] In an article on "The Great Stupidity," in *Harper's Magazine*, July, 1925, p. 227.

[2] *Harvard Business Review*, January, 1925, p. 139. See also James F. Whiteford's "Union Labor—England's Greatest Problem," a very fair and telling article in *Industrial Management*, February, 1925, pp. 65-69.

nard Keynes, the eminent British economist, in an article on "Labor and Liberalism in England," (*The New Republic,* March 3, 1926), after expressing his well-recognized sympathy with the purposes of the labor movement, speaks of the trade-unionists as, "once the oppressed, now the tyrants, whose selfish and sectional pretensions need to be bravely opposed." There is little evidence of the sort of union-management co-operation in England that exists in the cases cited in this country.

It is only fair to say that the history of unions as organizations for protesting, protecting and bargaining would not seem to fit them particularly for the affirmative side of aiding management. However, every example of a successful working arrangement between modernized management and unions, in which the union co-operates in promoting administration, is significant and holds promise for the future. How far unions can as a general rule, and not as an exception, contribute to progress only time will show.

In many industries unions are thoroughly organized. In such cases the question arises as to what can be done to hasten the development of their constructive side, that which takes into account the larger industrial purpose and the vital need for effective administration of production. I am more and more convinced that a great deal depends in such cases upon the atti-

tude taken by the particular employer. Sometimes a union well led and potentially an agency of co-operation, is unable to develop its constructive possibilities because of the harassing attitude of the employer. If, therefore, through neglect or through a hostile attitude, he checks such a development upon the part of the union, the fault is the employer's and not the union's. Thus it may be seen that even in the matter of unionism itself, an influential factor in determining whether or not there shall be progress is the employer.

The old-fashioned employer approached the whole union problem with certain stock antagonistic ideas. Mr. Elton Mayo, in the article already quoted, relates a case: "Only recently an otherwise intelligent employer refused to grant a concession recommended by his executives on the ground that a union in another factory had made a similar request. He did not wish to institute an obviously necessary reform because it was irrationally confused with unionism in his mind."[1]

An entirely different policy is possible and is suggested by the methods of a few resourceful employers. These employers have taken an attitude which should be more generally adopted. An employer who is in an industry in which unions are well seasoned and well led, and show

[1] *Harper's Magazine*, July, 1925, p. 228.

evidence of constructive possibilities, accepts the *status quo*. He endeavors to ascertain what elements of social and industrial usefulness they contain. He may find this type of union a valuable agency for securing group co-operation. If it is a matter of bargaining, he does not show any more emotion, asperity or impatience than he would in bargaining with a business equal. He then goes further. He not only makes terms with such unions but regards it as part of his responsibility to develop constructive methods of co-operation with them. He regards it as a real opportunity in social experimentation. This attitude is rare, but it should become the rule. To make use of the union in improving daily employment relationships, where it is possible to do so, is part of constructive leadership.

CHAPTER VIII

THE MODERN EMPLOYERS' WAGE POLICIES

ANYONE who has given any thought to wage theories and policies soon realizes how uncertain are the principles of wage determination. It is a perplexing subject, both to those with an academic interest, and to the employer dealing with its practical aspects from day to day. The latter finds it one of his greatest problems. The more forward-looking type of employer may know the limits of his own business, but nevertheless may feel sensitive to the cry raised about him for a "living wage" adequate to support his workers according to American standards.

Particularly during times of depression, when many organs upon which he relies call for lower costs and lower wages, he is beset by doubts as to what course to pursue. If he is swayed by social considerations, there may be at times a conflict in his mind as to whether he will serve labor, the consumer and himself best by a liberal wage policy or by the exercise of restraint through a more restricted outlay.

An opinion generally voiced among those interested in a better social order is that the employer

should pay at least a "living wage." Immediately after the war a great deal of attention was devoted to this subject, and it has become an important aspect of the discussion of wage policy.

The "Living Wage" and the National Income

The difficulty with the living wage idea is that its relation to the capacity of the national income is in many cases overlooked. Justice Brown, of the South Australian Industrial Court, points out this seeming conflict between ethics and economics as follows:

> The statutory definition of the living wage is a wage adequate to meet the normal and reasonable needs of the worker. In other words, the conception is ethical rather than economic. The Court has not to determine the value of the services rendered, but to determine what is necessary to meet normal and relative needs. It should be obvious that in the interpretation of reasonable needs the court cannot be wholly indifferent to the national income. The reasonable needs of the worker in a community where national income is high are greater than the reasonable needs of the worker in a community where the national income is low.[1]

In other words, a living real wage in Germany or Austria today is far different from a living

[1] Herbert Feis, *The Settlement of Wage Disputes,* (New York, 1921), pp. 182-183.

real wage in Germany or Austria of 1914. A living wage in China is different from a living wage in England. Yet this feature of relativity and reference to a rule of reason seems to be wholly ignored by some economists, by public authorities and in much public discussion. For example, by the minority opinion in the famous Railroad Labor Board decision in 1922, in which the Board rejected the cost of living budget submitted by the Brotherhoods.

This attitude is largely due to a defect in terminology. The very words "living wage" involve a half-truth. They are rhetorical rather than scientific. They do not suggest that either in making up or in applying a particular set of figures, the national productivity of the particular country and year should be taken into consideration. The term includes the comfort factor and excludes the national income factor.

The following is an instance of this tendency to discuss the living wage without reference to the limits of national income. In 1919, the national income, according to the Bureau of Economic Research,[1] was $67,254,000,000, being $1,670 per person gainfully employed.[2] But the Bureau of Labor Statistics estimated as a stand-

[1] Its publication, *Income in the Various States,* (New York, 1925), p. 32.

[2] This figure is obtained by dividing the total income by 40,282,000, the total number gainfully employed, as shown in the Bureau's study. *Ibid,* p. 22.

ard of health and decency for a family of five, living in Washington, for August of that year, a budget of $2,262.47, and for October of that year, $2,288.25. These figures were widely published.[1] Their presentation to the public was not coupled with any discussion of the figures of national production nor was there any suggestion that the national income imposed any limits. To make budgets without even discussing income is just as rash in public as in private life.

What size of family or what kind of comforts or necessities should be considered in making up the figures of a living wage involves a controversy which does not concern us here. The standards set were none too high. They provided comforts which every enlightened person desires that a workman should have if it is possible for him to have them. It is also true, as we shall see later, that a general liberality of wages may have a beneficial effect in increasing national productivity. But if we consider this factor alone, without taking into consideration the limits of national income, it may lead to "profiteering" of one group of workmen against another, or against the farmer. At certain times it may lead to maladjustments which are economically retarding.

I agree with the theory of the "potential economy of high wages." I recognize that the

[1] *U. S. Monthly Labor Review*, December, 1919, p. 22.

demand for a reasonable standard of comfort may be a spur in effecting economies of management and the installation of labor-saving devices. But the term "living wage" should be explained or qualified wherever used and its presentation should be always coupled with a discussion of the national income factor. Otherwise, false hopes that cannot be satisfied are raised in the minds of an untrained public, and catchwords are furnished to the purveyors of quack economic remedies.

As far as the ultra-conservatives are concerned, it is easy for them to demonstrate that to set up a wage based on the comfort factor alone, as indicated by the use of the term "living wage," is dangerous. The living wage, they say with some justification, means that certain groups to which the test is applied will profit at the expense of other groups, or if it be applied to all, which is probably impossible, we merely raise prices and dislocate industry. Therefore, by using the term "living wage" without making clear the relation of national industrial productivity to it, liberal, middle-of-the-road public opinion may be alienated and enlightened social reform imperiled.

Extravagant terminology supplemented by extravagant figures discredits with a large part of the public the whole method of utilizing scientific data for wage determination and relegates

it either to the higgling of the market or, in the case of arbitration, to the balancing of relative power. Thus even as a moral offensive this course would seem to be poor tactics.

By all means let economists hammer at the idea that the present real wages do not, in many instances, provide what common sense considers adequate for comfort, and point out that management is in a larger measure responsible for waste than labor. But let them not, in the process, create false public impressions as to what can be done in the immediate present.

The decision on the matter of wage policy, unlike other decisions that the employer has to make within his own business, has highly controversial aspects. Superficially, it seems solely a clash between labor and capital.

Of course, just what scale of wages shall be paid in a particular factory at a particular time is a matter of bargaining and is controversial. In such instances there often exist real differences of interest to be settled. And there are indirect social and political effects of mal-distribution of wealth that should not be underestimated. But in considering the question of the problem of wage policies for the country at large, the most recent analyses of the problem indicate that there is much less reason for group differences than we formerly believed. The matter of general wage policies may be a practical

problem of economics, involving the question: What wage policy will produce the greatest wealth of all?

It is largely an objective matter in which industrial employers and employees have a common interest. There is probably more of a real difference of interest between the agriculturists and the industrialists, than between "labor and capital." To some extent, the issue is how much is to be saved for future generations and how much consumed in the immediate present.

Are Real Wages Affected by National Productivity?

The question may be raised whether or not an increase in per capita productivity is likely to have a favorable effect upon the real wages of the workers, so that they too have reason to be interested in the efficiency of production.

Critics of the present industrial system have attempted to demonstrate that average real wages for approximately the last twenty-five years have not kept pace with the per capita increase in national productivity. Specifically, the claim has been made that for the twenty years between 1899 and 1919 we had a five per cent increase in the per capita purchasing power of factory wages to compare with a thirty per cent increase or more in per capita production in all basic productive goods and commodities, includ-

ing agricultural produce.[1] More recently, Prof. Douglas showed, in a report on the subject, that from 1899 to 1923, manufacturing efficiency had increased per capita production 52 per cent, as against only 28 per cent in the real wages of factory workers.[2]

Several factors should be kept in mind in interpreting these figures. In the first place, let us assume that there was practically no increase in *average* real wages in this country between 1899 and 1919. That does not necessarily mean (as has been hinted by those who initiated this discussion) that the condition of the laboring group had not improved during those two decades. In view of the large immigration preceding the war, the fact that the general average of real wages may have remained stationary during that period or slightly decreased would not be proof of a lowering in the economic status of the wage-earners. For general averages are deceiving. One must keep in mind that the living conditions of the immigrants were probably far worse abroad. Their real wages may have increased over those earned in their homeland; the real

[1] See George Soule, "The Productivity Factor in Wage Determinations," in *The American Economic Review*, Supplement, March, 1928, pp. 129-140.

[2] Paper by Prof. Paul H. Douglas, on "The Movement of Real Wages and Its Economic Significance," delivered before the American Economic Association, December 28, 1925. Printed in *The American Economic Review*, Supplement, March, 1926. See pp. 42-43.

wages of the American-born workers and of earlier immigrants may also have increased; yet average real wages for all concerned during that same period may have actually decreased. For when the average of real wages of all the laboring population is used in a comparison with a former period, there is included a large number of the lower-paid group of wage workers who were in the country on the later date but who were still abroad on the earlier date.

The fact that during some periods increases in real wages have not kept pace with increases in per capita productivity, is explainable by certain factors that are sometimes overlooked. If the increase in real wages lagged behind productivity during certain decades, it may have gone ahead faster in the others. The very brevity of the period considered is apt to mislead one in studying the economic status of the workman. Anyone who examines the curve prepared by Mr. Rorty of hourly real wages in the United States from 1860 to 1920,[1] or the curve he cites, adapted from a study by Mr. H. O. Meredith, of variations in the amount of wheat purchasable with the daily wages of English carpenters and agricultural laborers from 1270 to 1890,[2] must be impressed with the fact that there has been a

[1] M. C. Rorty, *Some Problems in Current Economics,* (New York), 1922), p. 95.
[2] *Ibid,* p. 96.

dramatic improvement in the status of the individual workman since the beginning of the industrial revolution. As Professor Seager says, "The real earnings of the manual laboring class are larger than at any previous stage in the world's history." [1]

In a twenty-year period the fluctuations between groups other than labor and capital may obscure the true nature of the picture. There is, for example, a constant swing between that portion of the increased productivity which goes to the agricultural workers and that which goes to the industrial group as a whole. An analysis of what has occurred in the two decades between 1899 and 1919 indicates that the larger portion of the increase in national productivity that did not go to increase real factory wages went to the agriculturalists, that is, there was a decline in the exchange ratios of manufactured goods to farm products. In spite of a larger plant investment, the percentage that went to profits, interest, depreciation, rent, etc., did not increase.

The swing seems to be the other way at present. Comparing the averages of the first seven months of the year 1923 with the averages for the year 1919, per capita production in the United States including agriculture increased 16.7 per cent, production per wage earner 14.8 per cent, and

[1] *Principles of Economics,* (New York, 1923), p. 313.

real wages in factories 27.8 per cent.[1] It would seem as if the problem of distribution, during certain periods at least, is not so much a question of distribution between profits and wages as between industry and agriculture.[2]

Since 1920 there has been a sharp increase in real wages. *The Industrial Bulletin,* published by the Industrial Commissioner of New York State, compares average weekly earnings in New York State with the cost of living in New York State. From 1920 on, the line for average weekly earnings has consistently drawn away from the line showing the cost of living. By January, 1926, average weekly earnings in New York State factories had mounted to a point almost 130 per cent higher than those in June

[1] *Labor Bureau Economic News Letter,* September, 1928, p. 2. Published by the Labor Bureau, Inc., N. Y.

[2] An interesting comparison may be made between the following two analyses of wage distribution. Mr. George Soule, in the article previously cited, states: "Both the Marxian and classical economists, having in mind the great increase in productive capital, might expect to see the share of profits and interest enlarged. The census figures, however, seem to prove that this is not the case, at least to any great degree. . . . It is difficult to avoid the conclusion that the per-capita real income of those engaged in agriculture rose so rapidly between 1899 and 1919 as to absorb most of the increment to national production which, as we have seen, was not shared by factory workers."—(*American Economic Review,* Supplement, March, 1923, pp. 135-7.)

Basil M. Manly, in an article "Are Wages Too High?" published in 1922 by the People's Legislative Service, Washington, D. C., says: "American labor has been consistently deprived of its fair share in the ever-increasing productivity of the nation's industries. And it is out of this constant under-payment of labor that a large part of the great private fortunes and the huge surpluses of American corporations have been created."

1914, while the cost of living figures had risen only about 90 per cent. The varying increase in these two factors thus shows a real spread. It has raised real wages well over 21 per cent. The report is in line with that of the U. S. Bureau of Labor Statistics, the National Conference Board and others, which have reached substantially the same conclusion. This, in a five-year period, is a considerable increment to the wage-earner, even though not as great an increase as that in per capita productivity.

It should of course be recognized that the improvement in wage purchasing power cannot be measured solely in terms of the particular kind of purchasing power that has been currently used in determining so-called real wages—namely, standard units of food, housing and other staples. There are many things and services that wages can buy now that they could not buy formerly and the quality and serviceability of the standard commodities they buy are in many cases greatly superior. One must therefore take into account what modern economists call "psychic income," which is not statistically determinable.

For example, there is no way of measuring the improved units of transportation of a Ford car over the horse and buggy of thirty years ago—and yet they cost approximately the same number of money dollars. Thermos bottles to keep the workingman's lunch warm are purchasable

for little more than the old coffee pail and are extensively used. The brilliant nitrogen bulb costs little more than a kerosene lamp. Victrolas give him a complete musical repertoire. There is no statistical method of measuring in these instances and in countless other instances the real improvement in purchasable values. Many entirely new modern conveniences like these may be bought for comparatively small sums. A few instances are such devices as the telephone, "movies," radio, steam heat, the phonograph, the distribution of goods to the door by mail order houses and chain stores, low-priced magazines as *The Saturday Evening Post* and the correspondence schools.

When, therefore, in addition to the change in "psychic income" mentioned, there has been an actual increase in weekly money income measured in real wages, such as the remarkable one during the past five years; and further, a considerable shortening of the hours of work for which that increased money income is given, one cannot deny that a vast change for the better in the life of the workingman today has resulted from our present economic system. One can see its tangible results. Hundreds of cars parked in front of a factory gate, through which go only a few executives and foremen, is a scene that is impressive.

Of course, as against the gains in real wages

and in the quality of goods, we have corresponding losses, such as the expense for fare, hours of traveling to and from work, crowding in small tenement apartments, and inadequate space for exercise and recreation, which, therefore, must be purchased. There are also other disadvantages to be made up, such as the increasing standards of display required by social pressure today. Style has invaded every item of attire and made them less durable.

Taking it all in all, however, there has been a great improvement in the condition of the ordinary workman since the industrial revolution. Despite the fact that real wages have at times lagged behind increases in per capita productivity, the statistical facts and general observation indicate that real wages are favorably affected by such increases in the total national income. Of course, this should not blind us to the fact that many of our fellow-citizens are far from having a comfortable living judged by our present standards. There is still needed a vast improvement in wage scales, and increases are no doubt possible. There is a general agreement among students of economic conditions that we can attain this end by a larger national production. The demonstration, in the curves above mentioned, of the tremendous increase in real wages paid to the ordinary wage-earner since the industrial revolution, proves that in civilized com-

munities the Malthusian theory that population will overtake production has not yet operated, and makes one optimistic that such a contingency can be avoided for many generations at least through the adoption of wise economic policies.[1]

It is encouraging to find that a handful of enlightened industrialists, whose number is gradually though all too slowly increasing, are now coming to realize that the achievements of the system are measurable largely in terms of the real wages that are paid to wage-earners. They are, therefore, joining with others interested in these matters in focusing attention upon the possibility of accelerating the rate of increase of national production as a means of bringing about an increase in real wages.

Discussions at the 1925 American Federation of Labor Convention and the writings of the keener thinkers among those associated with labor indicate that labor leaders and sympathizers are beginning to realize that the larger problem is one of total productivity and not so much that of distribution, except in so far as methods of distribution affect total productivity. Any other point of view would suggest that improvement in standards of living must be limited by our

[1] For a discussion of contrasting views, see Edward H. East, *Mankind at the Crossroads,* (New York, 1923); J. M. Keynes, "Is Britain Overpopulated?" *New Republic,* October 31, 1923; Alvin Johnson, "Are We in Danger of Overpopulation?" *New Republic,* November 21, 1923.

national poverty. Distributed over the mass of our workers, the amount which would be made available merely by taking more away from the capitalists would prove disappointing.

The following quotation on this point from a member of an organization of advisors to labor unions, is interesting: "With an excess capacity in our industrial plant rising 30 per cent, with the smashing of sales resistance becoming an ever more expensive performance, with an almost entire lack of co-ordination between the requirements of the population and the means of producing and distributing them, the trouble with industry as a total phenomenon is not, and never has been, profiteering, but unbearably high operating costs."[1]

Wage Policies and Productivity

"If only wages would come down all would be well." This is the cry that is frequently heard during the beginning of a period of depression. There is sometimes a modicum of truth in such a statement. More often it is based upon economic assumptions that have never been proved. It is founded upon a static view of economics rather than a dynamic one. It is what might be called the "labor grumbler" attitude.

Many people feel that capital is a pot out of which there is distributed to labor a certain

[1] Stuart Chase, of the Labor Bureau, Inc., in the *New Republic*, April 22, 1925, p. 242.

amount. This naïve conception leads, on the one hand, to the old wage fund theory, and on the other, to the extreme socialistic doctrines of taking all from the capitalist. Under our dynamic system of wealth production *the real question is what kinds of advances in the form of wages and what kind of profit system will produce the greatest amount of wealth.*

There have been many types of proposals for increasing the national wealth. Some see it as a matter of eliminating wasteful practices in industry, and urge the adoption of more modern methods of management. Some stress the financial aspect, urging a better system of controlling money and credit. The establishment of the Federal Reserve System is one of the achievements pointed to by the latter group. Similarly, we may ask whether there is any way by which it is possible to use wage policies to assist production.

How far can a general wage policy (leaving aside any question of disparity between different wage groups) affect productivity? Here is a field which has not been sufficiently explored, yet one that has unfortunately been peculiarly controversial.[1] Some argue that to raise money

[1] There has been considerable economic discussion on the "Economy of High Wages," but it has dealt principally with the direct effect of high wages on the personal efficiency of the wage-earner. It has not considered his position as consumer or dealt adequately with the dynamics of the cycle of production and consumption.

wages is not to raise real wages but merely to increase prices. This is all too true during certain periods, particularly periods of inflation. But it must be remembered that industrial activities are dynamic processes. There is as little place here as anywhere for a rigid economic fatalism. Wages may be a cause of a change of conditions, as well as an effect of conditions. While the living wage built upon family necessities alone, without relation to the national income, is not a safe criterion for fixing wages for a particular group, it must also be kept in mind that the total national productivity may be favorably or unfavorably affected by a general wage policy.

While real wages are limited by the amount of national income, the amount of money wages that are paid at a particular time may influence the future national productivity. For example, the total amount paid as wages may have a marked effect on the consuming power of the wage-earner, and thus on the circuit velocity of money. *Wages should not be regarded entirely as a passive factor in their relation to national production, but to a large extent as an active factor.* It is a commonplace that the national prosperity can be influenced by the skill and courage with which credit advances are made by banks at critical moments. So with wages. If the contraction is not too severe or wrongly timed, we may avoid the extremes of depression. If the rise is not too

great or ill-timed, inflation may be prevented. A proper policy insures a healthy round of consuming and producing power.

Extremists on one side suggest that the national production is a fixed quantity and the number of laborers limited, and, therefore, as only a small proportion goes to capital and management, to raise money wages generally is not to raise real wages, but merely to increase prices and create economic disturbance. Extremists on the other side suggest that if wages were raised radically in some miraculous way, production would increase—in other words, we could, as it were, pull ourselves up by our own bootstraps. One may safely take a middle ground and assume that the rate of progress of national productivity may be substantially affected by the particular wage policy that is adopted.

Studies of the annual production of essential commodities in the United States for the last forty years indicate that production in any one year has increased by about eighty per cent over the annual production twenty years earlier and has trebled over the forty-year period. However, despite the claim of some economic observers that there exists a sort of fatalistic steadiness in the rate of increase of production, a study of the graphs of this rate of increase does not bear out any such theory. There has been considerable variation in the rate of increase during particu-

lar years, which furnishes evidence that production may be accelerated or retarded, as the case may be, by the particular economic policies that are followed over a series of years.

Although economic movements are often the result of the interaction of economic forces, the ultimate organizing forces are human beings. Human beings, not some mysterious economic gods, are the ones who by controlling underlying causes, whether they be economic wastes or bad currency systems have demonstrated that they can modify and mitigate economic phenomena heretofore considered predestined. There is absolutely no warrant for pronouncing "a doom of automatism." Otherwise, such revolutionary increases of production as those resulting from the industrial revolution would have been impossible. By analyzing economic movements we can consciously control, and in fact have in the past consciously controlled, their interplay so as to stabilize and increase production. The best illustration is the adoption of an improved banking policy through the installation of the Federal Reserve System. Its beneficial effects in eliminating panics and in steadying industry have given convincing proof that there is room for social ingenuity, and that economic movements are not all pre-ordained.

Wage Policy During Depressions

Particularly at certain critical periods of a business cycle, it would seem as if the policy, liberal or otherwise, that is adopted by industrial leaders and arbitral boards may have an important influence on the future trend of the cycle and upon future national productivity.

In order to make the point clear, let us suppose that we are at that point in a business depression when wages are being deflated. A certain amount of wage reduction is inevitable and necessary, but at this juncture employers and arbitral boards are under the necessity of determining just how severe the cuts are to be. They decide not to make reductions that are too drastic. Instead, to meet the problem created by the fall in the selling prices of their product, the employers rely upon increased managerial efficiency and the installation of labor-saving devices.

In other words, by maintaining wages at somewhat higher levels at such a time, by discounting the future and not cutting quite to the extent that the cost of living index may indicate, but instead leaving a little leeway, employers may challenge themselves to achieve a greater per capita productivity. Those who are in active business know the possibilities in this direction when "necessity, the mother of invention," is a driving force. In

the practical operation of the economic system, which, after all, is propelled by human, not mechanical forces, the maintenance of wages at a certain level may serve as a sort of "bogey," to use a golfing term, for the productive system to reach.

On the surface it might appear that discussion of the advantage or disadvantage of a general wage policy during any particular period was largely theoretical and had no practical bearing. Employers, it may be argued, are guided by their own desires and immediate interests. Of course, this is true to a large extent, but it is also true that they are influenced by general industrial opinion. They are particularly susceptible to slogans.

The hasty assertion during periods of depression, by some business men of influence, that drastic wage cuts are necessary to bring about readjustment, fits in with the immediate impulses of many industrialists. Despite the fact that such assertions may be baseless, they are seized upon with avidity and become useful rationalizations of an emotional attitude. And when they become general—comfortable and fashionable slogans—they have a propelling power of themselves. Thus the conventional type of propaganda by and among employers for drastic wage cuts may do a great deal of harm.

Anyone who gives serious thought to the sub-

ject and studies the economic literature, realizes that one cannot be certain that any particular policy is the wisest, and that there is no room for confident assertions that a certain course is the only one to pursue.

There is now a growing body of opinion that a less drastic policy would serve to accelerate progress in productivity and be a more healthy influence. This body of opinion is reinforced by the experience during the depression of 1921, when the hue and cry to liquidate labor radically resulted, on the whole, (although there were conspicuous cases of extreme wage-cuts), in moderate changes. The industrial prosperity that followed contradicts the prophecies of the dire results which would follow a failure to pursue a policy of severe "liquidation of labor." Thus there is a practical value to the influence that a discussion of this subject may have on general industrial opinion.

There is the further aspect to be kept in mind, that a drastic wage reduction during a depression is regarded by labor as an offensive against a man who is down. As such it generates those feelings of bitterness which, like animosities in international politics, persist in endless cycles of conflict and revenge. Therefore, when in any particular case it has been determined that wages must come down, there is also to be considered the procedure as to how this readjustment is to

be brought about. Essential as it may be at the particular time that wages come down, equally essential is it that they come down in the right way—that too much friction should not be engendered in the process. For it is just as important to preserve the social and industrial stability of the country as it is to recover from economic depression.

This course is also "good business." Low costs are obviously not merely a matter of low wages but also of efficiency. Among the factors producing efficiency, one of the most important is good-will. In the long run, if the process of wage readjustment is not tactfully handled, it tends to eat up the temporary gains of wage reduction.

There are several ways of approaching people and one way is by appealing to their reasonableness. I have known many cases in which gratifying results have been attained merely by "laying the cards on the table." A typical instance in one factory was a 10 per cent cut made with the consent of the workmen, because a full discussion on the matter had been held with them. Such was their willingnes to co-operate on this open basis that more work was subsequently done in two shifts, of eight hours each, than had been done previously on a three-shift basis.

In the readjustment of wages in the depression of 1921, there were many employers who acted in

a statesmanlike way. Instead of the rough and ready method of guessing what cut was fair or necessary, they relied on statistical studies. The various factors involved, such as the changes in the cost of living, the wage rate in other industries, the extent of demand for the product of the particular industry, etc., were carefully compiled. These factors were then charted and made clear by the managers and personnel men. Such methods of determining wage changes produce fairer results. But what is of far greater importance, these methods provide a tangible, rational basis of fact and the cuts can be explained to the workman so that he recognizes the reasonableness of the change.

If possible, of course, such determination should be worked out in collaboration with the representatives of the men themselves, whether these representatives be members of a shop committee or trade union leaders. The advantage of the men knowing that their representatives have worked out the new scale is quite obvious. It is based on the principle of consultation between leaders and followers which has a specially important application in an issue of this kind.

To revert to the important question of wage policies during a depression: Does the maintenance of a high wage at such a time, when the country needs a broad purchasing market to absorb its products, keep up the purchasing

power of the large consuming public, and thus accelerate the resumption of business activity and the emergence from the depression?

In England and other countries which are not economically self-sufficient, the problem is complicated by the necessity of finding a foreign market. In this country the employer is less limited by such a factor.

Significance of Wage Policies to Employers

The wage problem may, therefore, be viewed by the employer, first, from the short-time consideration of the effect of the particular wage change on his profits and on the morale of his men; second, from the longer-time consideration of the general effect of his action and that of others on the general consuming public; and, third, it may be viewed from a long-range consideration of its effect upon the future of the whole system of production. This is true not only during the depression period of business fluctuations, but also during other periods. In this determination the employer is affected by propaganda, particularly by the general sentiment among his fellow-employers. He is likely to do the thing that is being done. Each employer must make a decision as to his own policy and the course he shall recommend to others.[1]

[1] I have purposely refrained from discussing such possible concrete bases of decision in wage matters as the actual cost of living, or the prosperity of the country as a whole or of

In so far as general industrial opinion among employers takes into account long-time considerations, it is important that they realize in a general way the factors involved. They should be made to visualize the fact that it is a matter of finding a formula which will stimulate the largest productivity and not a question of the division of a fixed product.

If such a long-range method of approach is adopted, there would seem to be much less room for class antagonism. *The problem of distribution which has so often been regarded as a drama, with labor and capital as the conflicting characters, turns out to be largely the prosaic task of using wage policies to increase national productivity.*

There is nothing in recent economic discussion that would warrant the conclusion that a niggardly policy is the wisest either during periods of depression or at other periods. A complex of prejudice and pseudo-science has made employers rather slow to grasp fully the fact that the success of the industrial system is dependent upon the development of a prosperous and socially healthy employee class. Describing conditions in Europe and England, an acute economic observer said thirty years ago:

particular industries. It would lead us far afield into many complex subjects. Instead, I have contented myself with the consideration of the general attitude to be assumed by employers, because it is immediately relevant to the subject I am discussing.

Everything in the wide field of economic phenomena tending to show the benefits arising to the employing classes of a high rate of wages, it is not a little astonishing that such constant repressing force should be employed to oppose a rise in wages. In the lower wage countries this tendency exerts itself the strongest. . . . By education and association they are made to still cherish the belief, despite the world-facts surrounding them, that a low rate of wages is necessary to a low cost of production.[1]

But economists are here largely in the unchartered seas of speculation and it will probably be difficult, certainly for some time to come, to secure definite statistical proofs of the advantage or disadvantage of any particular wage policy at any particular period. For the subject does not easily lend itself to statistical treatment.

In any event, employers who must act and make decisions in the present cannot wait until complete statistical data becomes available for this purpose. They are forced, therefore, to adopt some tentative policy, based on a general intuitive estimate of the facts. Each is guided in this matter by what he thinks is his self-interest, but each has a different method of determining what is his self-interest. Employers who approach this problem from a broad perspective should realize that driving a hard

[1] Jacob Schoenhof, *The Economy of High Wages*, (New York, 1892), pp. 64-66.

bargain with labor at all times may be the inheritance of erroneous wage theories of the past. They should also be alive to the fact that these theories were probably rationalizations of unreasoning attitudes. They should therefore not allow themselves to be bound by such traditional points of view. The effects observed in low-wage countries,[1] the experience of England when she adopted an illiberal policy, the gratifying results in the United States with its high per-capita production, following a courageous course of paying high money wages, points to the desirability of avoiding a niggardly spirit in the matter of general wage policies. Employers must avoid the disastrous policy of general wage inflation during boom periods, but during other periods what is known of economic analysis should impel them to lean on the liberal side.

[1] One economist who made an extensive study of conditions in various countries has said: "The survival of the fittest is, therefore, so to speak, the result of a high wage rate. . . . The lower the rate of living, the lower I always found the industrial development of the country." (*Op. cit.*, p. 39.) A recent English book, *The Secret of High Wages,* by Bertram Austin and W. Francis Lloyd, (London, 1926, 111 pp.), which came to the attention of the author since the preparation of this manuscript, is interesting in contrasting American with British wage policies.

CHAPTER IX

THE NEW LEADERSHIP

We have seen that unsatisfactory labor relations exist where there is no absentee ownership, no large-scale industry and complete union recognition. It has also been pointed out that bad conditions practically never exist where there is modern management, even when there are present absentee ownership, large scale industry and lack of union recognition. There is no escaping the conclusion that the most important factor in sound industrial relations is management.

In the past, the activities of the agencies outside of industry which attempted to adjust its difficulties were stressed by those interested in the labor problem. Thus much attention was devoted to arbitration, mediation and wage boards.

Judicial machinery, however, can only smooth out differences. It cannot *forestall* disputes. It is only palliative. It cannot of itself create cooperation or assure enlightened leadership. Like a domestic relations court, it may serve well in crises, but it does not solve the problem of securing a healthy family life. Even in the matter of

wages and hours, there are a large number of questions that can best be adjusted in the shop itself.

Aside from this sort of quasi-judicial machinery there are types of labor legislation of a protective nature, such as workmen's compensation laws and regulations to safeguard health. Most of this legislation has been, and is, essential to provide the ordinary decencies of an industrial civilization, and it needs strengthening rather than weakening.

However, though useful and capable of development in the direction of more elastic administration, labor legislation cannot beyond a certain point meet a diversity of conditions in various industries. Besides, in its very nature it cannot be other than regulative and negative. It has no force of an affirmative nature. Our industrial processes are continuous and dynamic and they must be so treated. While broad standards can be set by legal or quasi-legal bodies outside the shop, or agreed upon by conferences at large, team work cannot be created by legal regulation of minimum standards. It must be developed by methods and organization within the shop itself.

Intra-Plant Relations the Starting Point

If we regard the labor problem from this point of view, we concern ourselves with many mat-

ters that seem small and unimportant. But they only *seem* so. The dramatic situations in industry which arrest attention, and which customarily arouse interest, are frequently only the explosions caused by the neglect of matters that seem comparatively petty but which accumulate from day to day. A man who is ill attains health not so much by radical treatment as by sane daily hygiene. The intelligent employer, therefore, is focusing attention on intensive adjustment within the factory organization.

Good-will must originate in the industrial plant. It begins in the smallest unit. There are unexplored possibilities of securing harmony by improving relations in the routine of daily work.

This principle was expressed in the summarized findings of the U. S. Coal Commission:

> The public is better acquainted and is more directly affected by the dramatic national strike, but in any constructive program we must frankly recognize that the starting point of all labor relations in the industry is at the individual mine. . . .
>
> The connection between local mine management and the precipitation or avoidance of the national strike may be indirect, but it is very real. The national strike may be in part the explosion resulting from the accumulation of petty irritations and a down-grading of the day-to-day relations at the individual mine. These daily irritations do not directly create the national strike—but their presence or absence may be responsible for states of mind that determine whether there is

to be a strike or not. . . . No sound structure of labor relations may be developed unless the base is sound.[1]

An interesting example in this industry is a case I am acquainted with in Illinois. The relation between employers and employees in the coal mines in this state is such that a constant tension exists. The operators' organizations and employees' unions are practically in a state of armed truce. Despite this general emotional situation, excellent results have been obtained locally in certain mines with respect to production, co-operation and low costs. In these concerns sound management methods prevail. Similar experience elsewhere forces the conclusion that the success achieved is not a mere coincidence.

Machinery for mediation and arbitration may prevent industrial warfare in some cases but if not used with discretion, it may, like the habit of taking medicine, have certain negative effects that are regrettable. These may be indicated by two citations. The first shows the results in the coal industry in this country and the other the situation in Australia.

I have found some of the points I am making expressed in almost similar words in the report of the Coal Commission, cited above, in which it is said:

[1] *What the Coal Commission Found,* edited by Edward Eyre Hunt, F. G. Tryon and Joseph H. Willits, (Baltimore, 1925), pp. 241-2.

The relation between employer and employee—or between operator and union—is in its very nature a continuing relation. For its efficiency and success it is dependent on co-operation between the two parties, just as is the domestic relation between husband and wife. Persons or groups bearing such a relation to each other do not work well together if they have to depend continuously on the instruments of the law to adjust their difficulties for them. Such a pass may be reached—may have already been reached in this industry—where there is no other course open.[1]

The ultimate results of a situation in which difficulties are constantly adjusted by law are described by Mr. George S. Beeby, author of the New South Wales Arbitration Act of 1912, in an address made in 1914:

This wide exercise of powers is perfectly logical and inevitable where the industrial award is offered to the wage-earner as the substitute for the right to strike. He contends that any matter which may be the subject of a strike should be the subject of an award; and although the courts have repeatedly announced that they are disinclined to impose regulations interfering with the ordinary business management of enterprises, the tendency has been to steadily increase the ground covered by awards, until matters of the minutest details have been dealt with.[2]

[1] *Op. cit.*, p. 239.

[2] Cited in a memorandum on "Strikes and Means for Prevention," by Prof. George E. Barnett, p. 80.

As the head of the industrial family, the modern employer must endeavor to secure a degree of team-work and loyalty from his organization that will make outside intervention gratuitous and unnecessary. But he can only do so by methods different from those that formerly obtained. The day of uncritical loyalty to those in power is past. There must be a certain reciprocity in satisfying the desires of the workers. We have already referred to the necessity of the cultivation by managers of a spirit of warm human interest and a democratic approach. But their success will depend not only on goodwill but also on the exercise of imagination.

Bernard Shaw somewhere voiced a caution concerning the application of the Golden Rule. He said that one must beware of doing unto others as you would that they do unto you, because tastes differ. The modern employer realizes that in order to secure results there are certain desires of the workman that he must satisfy. But what does the worker want? The first step is to analyze just what are the aspirations of the workers.

"What the Worker Wants"

Generalizations on this score are likely to be unscientific guesses. Different groups want different things, and often the basis of their complaint is unconscious. If economic conditions

were similar in every industry, and if the different groups were exactly alike, one might generalize, with more certainty as to "what the worker wants." But economic life is diverse, and the psychology of various groups of workers differs widely. The "psychic age" of a Mexican peon differs from that of a highly skilled worker in a large city. What the worker wants will depend upon the particular situation. The one broad answer most useful in the present instance is that *it is the responsibility of every production executive to study his particular situation and to create conditions that will bring about the best local adjustment.*

It is sometimes useful to make a purely tentative classification as a framework for discussion. If, in this spirit, I should summarize in broad terms certain general concepts that should guide an executive in dealing with his workers, I would roughly classify the more important desires of the workman as, first, the desire for justice; second, the desire for status; and third, the desire to have his job made a career.

In meting out justice, the questions of wages, hours and working conditions are, of course, most important. Professor George E. Barnett has shown that from January 1, 1881, to December 1, 1900, over 58 per cent of all strikes in the United States were due to questions of wages and hours, uncomplicated by other issues. In

Massachusetts, in 1912, 75 per cent of the strikes were due to the questions of wages and hours.

Safe working conditions and adequate protection against sickness and disablement have been met to some extent in this country, and more so abroad, by labor legislation. The setting of minimum standards for industry is overwhelmingly important, but the employer should never wait for state action. He should be far ahead of it and set up the regulative machinery within the industry or organization itself.

But aside from wages, hours and safeguards, justice is also involved in the hourly contacts of workmen with their co-workers and with their superiors. The desire for justice in personal relationships can be traced to earliest childhood. Inequality in treatment between subordinates of the same rank, or of different rank, by the head of the organization, is one of the primary sources of discontent. It is not unlike the dissatisfaction that arises between children when the father plays favorites.

Illustrations of the sort of justice that counts are cited to show its practical application. In a mine with which the writer is acquainted there fortunately exists an excellent morale. The following examples of the policy pursued explain why a favorable situation exists. The superintendent of one of the departments, a valuable but excitable man, was angry with a workman over a

mistake that he had made. In his excitement he grasped the workman by the arm. The latter misunderstood. A rough-and-tumble fight occurred. The manager of the mine suspended the offending superintendent, and in spite of the willingness of the workman to drop the incident, insisted on a formal apology. In another mine a subordinate department head discharged an engineer who had wrecked an important machine by careless manipulation. In replacing this man, he skipped the brother of the discharged engineer, who was next in line for promotion. It looked as if the executive was punishing the man for the faults of his brother. It appeared certain that this step would create a great deal of resentment. The manager promptly over-ruled the act of his assistant, risking the loss of a valuable executive member of his staff in so doing. It is this sort of fairness that is fundamental in any sound administrative system.

No doubt some may think this is a matter to be handled by employee representation. But employee representation must be built on the foundation of the habitual practice of justice and tact by the "men on top." Otherwise, it is a temporary and insecure super-structure.

The problem of acquiring the proper status was mentioned as the second of the desires of the workmen. The primary means developed to satisfy this desire, is employee representation.

As has already been shown, this practice is spreading. The plant without some effective form of consultation should be the exception.

Another movement in industry also has great promise. This is the remarkable increase of employee and customer ownership of stock in industrial corporations.

Without falling into the error of too sanguine an optimism, it is safe to assert that there are in this direction possibilities of important economic and political developments. It would seem the happiest way for the workers to increase their influence in industry. In any scheme of organization for work, it is better that control should be exerted downwards rather than upwards.

There are many who are disposed to belittle the social significance of employee or customer ownership. They assert that control will still be maintained and manipulated by the insiders, and that the small stockholder will still be the pawn of these insiders.[1] There is also the old fear of the "Greeks bearing gifts."

It must be confessed that it will probably be a considerable time before effective control will be exerted by the small holders through stock ownership. But one must not take too narrow a view of this development. Not so much the pres-

[1] Donald K. Richberg, "Co-operating with Competitors," in *Proceedings* of the Academy of Political Science, April, 1925, pp. 147-54.

ent practice as the ultimate possibilities in the situation are significant.

There is a well-sponsored movement to bring about wider control on the part of the investor. Some public supervision will no doubt be necessary.[1] Perhaps it is well that the development of such control be gradual. Indeed, it is curious to find that fears of *too rapid* developments of this character are expressed by a well-known progressive labor leader. He says:

> It would be a misfortune if a large number of owners suddenly began to take their powers of ownership seriously. I question what might happen when great numbers, inexperienced in management, proceeded to assume the functions of management. Suppose they all assign their proxies following a campaign more or less like our political campaigns, in which we know that all issues but the essential ones are discussed. It may very well happen that, under such circumstances, management will suddenly be turned over to a group of people who have neither the knowledge nor the experience to run institutions with resources of over a billion dollars. I read recently the statement of a large insurance company of which I happen to be part owner. I note that it has resources of over one billion dollars. Imagine the consequences if a large group of stockholders should take charge of that billion-dollar institution. It is, I think, placing too much confidence in democracy to be-

[1] Eustace Seligman, "The Relation of Law to the Modern Development in Property Ownership," in same volume of *Proceedings* cited above, pp. 88-102.

lieve that such enterprises can be run without any preparation or experience.[1]

The question of who controls is, however, far from being the sole standard in judging the usefulness of this development, for there are other values in widely scattered ownership. It gives to the obscure individual, workman or otherwise, something of a property interest in the economic field. Ownership of stock serves as a symbol of, and as a means of identification with, the economic system.

For it is important that the individual have something tangible within the community with which he can, through the conventional token of ownership, identify himself. In an agricultural community, where farmer ownership predominates, we have this identification with land, supplemented by a political identification with the nation. The economic and political interests are, in a way, intertwined. The trouble in great industrial centers is that while political identification is furthered by the exercise of the voting power (often ineffective but not entirely useless), there have been no methods of identifying the people at large with economic units. They have had no symbol of economic ownership. This is what customer and employee ownership confers upon them.

[1] Sidney Hillman, on pp. 109-118 in the volume of the *Proceedings* cited on p. 211.

It may be claimed, on the other hand, that one of the psychological advantages of widely scattered ownership of land has been the satisfaction enjoyed by individual owners arising from active control of their property. This right to control is valuable, but it is not therefore conclusive that there is no social advantage in an ownership in which actuality of control is remote. A large minority stockholder has a feeling of identification with a company even if he knows his "say" in the management is subordinate to the majority interest. Unless stockholders are in control of management they are, in any organization, largely "rubber stamps." In the present economic era, when individual ownership of bits of property is not feasible, such an ownership is a useful compromise—a substitute for the individual ownership of parcels of land. It yields an important "psychic income."

To waive aside this development as meaningless because a central group in power still controls, is not unlike suggesting that democracy to any individual is futile because in parliamentary government small groups control and manipulate it for their own purposes. Even though the actual control given by the right to vote is negligible, it is recognized as a useful symbol of the dignity of the individual and his identification with the State. For this reason, it is prized en-

tirely out of proportion to the actual influence exerted.

One need not be much concerned over the motives of corporation directors in stimulating widely scattered holdings of stock among workers and customers. The question is whether the new situation created by wider ownership contains in itself possibilities for healthier industrial arrangements. I believe that undoubtedly it does. Once widely scattered ownership has become established, means will probably be devised to assure a greater control to individual stockholders. The first step is wider ownership.

Finally, there is the third of the desires of the workers which the managers must satisfy. Workmen who are energetic desire a successful career. Employers who are alive to the human values in their organization should try to make it possible for their group of workmen to find an outlet for their ambitions. There are industrial and commercial establishments that have gone much further in this direction than most non-capitalistic organizations. Indeed, the maintenance of the *status quo* and the need for marching in step is one of the most pervasive causes of complaint in the government service. And under union rules of seniority, as worked out on the railroads, progress from one job to another is not dependent upon skill, achievement, or unusual ambition. It is solely a factor of time. If a man waits long

enough, he is advanced. In privately managed plants freely administered, competency is more usually preferred to seniority as a requisite for advancement.

Progressive employers give the workers incentives through carefully developed systems of training and promotion. The proportion of the workers who really seek advancement is much smaller than is commonly realized by those who take an impressionistic view of industry. Mr. Frank Cushman, chief of the Industrial Education Service of the Federal Board for Vocational Training, is responsible for the statement that: "Despite the theory that most men seek advancement in their work, the proportion who are willing to assume further responsibility is only between 2 and 5 per cent. The remainder are willing to go on with the job at hand as long as a decent wage is available. They will not train themselves to take on responsibilities."[1] But the minority that are ambitious should not be penalized. The success of our industrial system is largely dependent upon training and advancing this group.

The responsibility is thus upon all those occupying positions of authority, to keep uppermost the aim not only of getting results but also of developing the human beings within the sys-

[1] Excerpt of address at American Management Association, New York *Times*, March 4, 1926, p. 34.

tem. And they should do this not as a bit of benevolent paternalism, but as a function of their own careers as public administrators or business executives—not in the spirit of doing something particularly saintly, but of acting as professionally minded executives.

Security of employment is an essential aspect of making the worker's job a career. From more angles than one, there is no more important problem than mitigating seasonal and cyclical unemployment and making it possible to assure workmen of a certain degree of confidence as to their future.[1] Here the production manager must rely largely on the co-operation of the financial and sales executives of the company in stabilizing operations.

Justice, Status, Opportunity—Their Tools

Mr. Root recently said with reference to the international field, "Abstract good-will is not sufficient. You must have machinery to carry it into effect." Similarly, in industry, *to carry abstract ideas into effect, one must have adequate and systematic methods.* The three fundamentals discussed, justice, status and opportunity, are dependent upon such methods.

[1] There have been several recent studies of the subject. Among these are: Sam A. Lewisohn, Ernest G. Draper, John R. Commons and Don D. Lescohier, *Can Business Prevent Unemployment?* (New York, 1925), and H. Feldman, *The Regularization of Employment,* (New York, 1925).

1. *The Personnel Department*

One cannot promote justice, or make the job a career, or have employee representation function successfully unless there is an adequate industrial relations department. It is a prime requisite in any plant in which any considerable number of men are employed. It acts as the eyes, ears, and memory; as the heart, hands and brains of the management in handling its personnel. It may vary from a mere employment department to an elaborate functional industrial relations department. Its initial service is to provide, through the personnel manager and his assistants, a contact of the management with each individual. Formerly, with the patriarchal philosophy in vogue, and only a handful of workmen to deal with, a manager could achieve results through personal contact alone, and through the force of his personality. Such methods can no longer be used.

The personnel department provides means for more scientific selection of employees, and for making certain that applicants are given considerate attention and the newcomer made to feel at home in his new job.[1] Through the personnel

[1] Mr. H. G. Wells, in an article on the Russian situation written a few years ago, mentioned the case of one of the Bolshevist Communist leaders—a man named Zorin—who "met . . . with brute incivility when applying for a job as a packer in a big dry goods store in New York. He therefore set himself to wreck what remained of social order in Russia."

department the manager can, vicariously, speak to his employees, and infuse in his entire organization generally the spirit of team-work. In a large plant a carefully worked out card system must take the place of individual memory.

A personnel department is particularly helpful in securing the proper adjustment of complaints. It provides a "day in court" for every individual, without taking up the time of the already harassed manager. The personnel department is the first step in securing an adjustment without recourse to law. It gives the worker the opportunity to have his complaints heard with a minimum of delay. This device may sound like benevolent feudalism, but it is not. For example, with a well-equipped personnel department, it is possible to take away the right of "hiring and firing" from that *bête noire* of the workmen, the harsh, unjust foreman. This measure gives the wage-earner a chance to present his side of the case before he is actually discharged. In such instances, the workman has in many cases been reinstated over the head of the foreman. There have been many misgivings as to whether discipline would not be impaired by such a system of providing a "day in court" for the workman over the head of his superiors; and yet to my personal knowledge, after careful inquiry, it has worked out successfully in many plants where it was previously thought impossible.

Of course, there should be little reason for conflict of this kind. As pointed out in Chapter IV, the education of the executive group is a necessary prerequisite to most reforms. The manager must inspire the group of foremen so that they themselves take to heart the three ideals of being just, of creating machinery which gives the worker a fair opportunity to present his case, and of assisting the men in their ambitions. This involves both the setting of an example by the manager through his own general attitude, and continuous and effective foreman training.

No mechanical method can serve as a panacea, but the more one sees of the practical matters in the leadership of an industry, the more one is impressed with the importance of what is generally included under the title of "personnel administration." One cannot, for example, make an employee's job his career if the employee has not been properly selected when he came to the firm. Thus an intelligent, progressive and, if possible, scientific procedure of selection is a first essential. A proper training system then becomes indispensable. The boy who enters industry must be carefully trained for future openings so that if he is sufficiently capable and energetic, his lack of preparation may not debar him from advancement. This is a progressive and continuous responsibility of management that

involves the setting up of a comprehensive educational program.

One could carry out this line of thought through a whole chain of activities. If the worker's career is not to be cut short by physical causes, the employer must interest himself in the health and safety of the worker. In order that his progress in the firm will not be cut short by discharge through the petulance of a foreman or retarded through unfair promotions, there arises a need for the development of modern foremanship to replace the browbeating type. One could go on through the whole series of functions of personnel management covered by the many committees of such associations as the American Management Association.[1] But these suggestions are typical of the growing field of interest.

One hears the constant inquiry—Has the movement to establish employment management or industrial relations departments lasted? Also, has employee representation come to stay? Contrary to a frequently voiced opinion the adop-

[1] Some of the committees of the American Management Association are: 1. Selecting, Developing and Training Foremen and Supervisory Forces. 2. Employee Publications. 3. Health Supervision and Medical Departments. 4. Devices for Conferring with Employees, Methods of Employee Co-operation and Plans of Employee Representation. 5. Relation Between Personnel and Community Problems. 6. Sickness, Death and Old Age Benefit Systems. 7. Economics for Employees. 8. Methods of Remuneration. 9. Job Analysis and Occupational Rating. 10. Employment, Methods for Recruiting and Selecting Employees. 11. Training Methods.

tion of these aids to enlightened management has increased rather than decreased. But they have been adapted and transformed into more scientific and practical forms. It is a mistake, however, to measure progress solely by the extent to which particular devices have been adopted. Their introduction in some plants has an indirect educational influence upon management in other plants.

Of course, personnel matters require varying emphasis, depending upon the nature of the enterprise, the type of worker employed and other conditions. In establishments like department stores, a careful system of training is most important. In other enterprises, because of a vertical system of jobs, a well-worked-out system of promotion is essential, to assure justice to the individual and to meet the requirements of effective production. The details of personnel practices will vary even more. For example, to have newcomers introduced to their fellow-workers is, in the ordinary factory, obviously a wise and enlightened practice. It helps to take away the strangeness of the new environment. However, in many of the Western mining districts, such a practice might meet with derision on the part of the men. A study of the distinctive features of the enterprise under consideration, and the adaptation of general methods to the needs

of the particular case, are necessary to take care of such problems.

The American Management Association, which, with its predecessors, has been in existence for over ten years, is one of the agencies making it possible for various companies that have worked out their experiments to give the benefit of their experience to other concerns. It thus serves as a clearing house of information.[1] The layman, as well as many who bear responsibility for industrial conditions, has no conception of the wealth of literature that has sprung up on the subject of personnel management.

2. *General Efficiency and Industrial Peace*

Experience in industrial relations has made apparent something which was not appreciated by those who had seen the problem solely from a sentimental viewpoint. This is the close relation between industrial peace and managerial efficiency. Any employer who attempts to eliminate dissatisfaction in his plant soon finds that problems of personnel are bound up with every problem of organization, including those operating activities not usually regarded as labor problems. For example, in many plants dissatisfaction is created because of inadequate routing of material. Piece workers complain bitterly because

[1] It is interesting to note that American companies are much more willing to make accessible their experience than are British or European.

poor routing gives some workmen advantages over others in getting material, and, in addition, much time is lost by those who have to wait in idleness for work. And the attempt of the management to keep the waiting, idle workers from leaving the building, has led to a "disciplinary" problem in cases too numerous to mention.

Then, too, there is the problem of securing co-operation between the different departments and executives, for the purpose of achieving teamwork on the part of all members of the organization. The lack of co-ordination shows up particularly in seasonal production and irregular work in the factory, caused by the single-track point of view of the sales department. One could expand the list of inefficiencies almost indefinitely and show how these generate a "labor problem."

Indeed, we little know how much social unhappiness and industrial unrest are due just to ordinary slovenly management. To a large extent such conditions are the accumulations of the trivial things. I have seen so many instances where striking improvements in industrial relations have been brought about solely by a more scientific management, that I have become convinced of its overwhelming importance.

3. *A Rounded-Out Program*

There is thus no ground for that attitude of the

past which persists in regarding the labor problem as some single issue, such as wages, hours, the supplying of adequate physical facilities or relieving the monotony of repetitive industry. It is a complex of a large number of detailed problems. Only a keen appreciation on the part of management of the importance and interrelation of these matters, and persistent attention to them, will bring the problem as a whole under control.

Such measures as profit-sharing, stock-purchase plans, or employee representation should be merely a part of a well-rounded program. They are really elements of the management process, rather than, as some people believe, magical aids to morale. There are fanatics on particular proposals. Yet these devices are the dessert, as compared to the main courses, of our industrial menu. Good organization and good management must come first. They are the bread of industrial life. Producing a healthy human organization within industry is dependent upon no simple panacea. Like health in real life, the continuous daily régime, suited to the needs of the particular individual, is what counts in the long run.

With the adoption of scientific personnel methods and an interest in management technique, controversial aspects assume their correct place in the perspective. Production executives become "organization conscious" instead of "class conscious."

The Real Difficulty: Neglect

The real difficulty of labor relations has been one of neglect. Executives have treated the question of human organization as a minor matter, not as a major problem. They have too often failed to realize that their responsibilities as assemblers and organizers of man-power are just as great as those in mechanical and financial matters. One who has the opportunity to observe the conduct of industrial operations can see many concrete instances of unwillingness to focus attention on matters of human relations.

In some countries other parts of the industrial fabric are so weak that the strengthening of this particular strand of labor relations could not make up for these other weaknesses. For example, in present-day England, fundamental economic conditions are such that a good deal of unemployment and low wages seems inevitable. In Germany, credit conditions create serious complications. However, backwardness on the part of production executives in developing modern methods of human organization is also an important factor in the difficulties of the reconstruction of industry both in Germany and England. This is the testimony of many who have studied conditions abroad.

In this country we are suffering from no such economic maladjustments. With our founda-

tion of economic well-being, the adoption of effective methods of human organization should have a maximum effectiveness, both in securing production and in promoting an identity of social interests.

There are limits to what an individual employer can pay in wages, but the only limits with respect to personnel and other problems of management are his intelligence, ability and good-will.

Fortunately, attention to these problems is profitable from a business standpoint as well as from a social standpoint Of course, the effect of improved industrial relations on profits is not easily reducible to exact quantitative determination. But as in other matters that are not readily measured, a valid judgment may be reached from general observation. The writer has seen dramatic improvements in efficiency and in the net income brought about by the adoption of improved organization methods. This is also the experience of many others in industry.

The Opportunity of the New Leadership

One may well wonder whether those who are devoting their careers to industry quite realize what an important rôle they are playing in the life of the nation. Industrial activity is each year becoming a larger part of the national life. To a large section of the population, that which

occurs within the industrial establishment is the most important aspect of their existence. The whole mental and emotional personality of the worker is molded by what takes place in the factory. Thus the problem of perfecting the seemingly insignificant routine of the industrial environment takes on new meaning. It is the starting point in any attempt to improve toward a harmonious national existence. History is made not so much in the battles that fill our text-books as by the unseen and steady undercurrent of life.

The type of program outlined in this chapter may not go as far as some advanced thinkers would like. But it means progress in the right direction. The great problem in this country is not so much to bring about refinement in human organization methods as to bring about a "substantial alignment" of industrialists using the improved methods already developed. In other words, the problem is to bring up the laggards and to establish a good average practice.

The discussion in this book has been based on the assumption that, for the next few decades at least, there will be no radical change of the capitalist system in this country. Upon this premise, improvement towards an attainable goal in the relations between employers and employees must be worked out by successive steps, in an intensive manner. Upon the progressiveness of the employing classes, primarily, such

an orderly solution of our industrial labor problem depends.

From one point of view, the factory is the melting pot of the nation. The adoption of the right methods of conducting industry and the tactful and effective supervision of employees will make the workers appreciate the importance of brains and leadership in our industrial structure. This will mean more for national stability than any artificial propaganda. There is as much opportunity for statesmanship in the industrial field as there is in the political field.

THE END

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